HEARING ON TRADE WITH SUB-SAHARAN AFRICA AND H.R. 4103, THE "AGOA ACCELERATION ACT OF 2004"

HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

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CONTENTS

HEARING ON TRADE WITH SUB-SAHARAN AFRICA AND H.R. 4103, THE "AGOA ACCELERATION ACT OF 2004"

THURSDAY, APRIL 29, 2004

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON TRADE,
Washington, DC.

The Subcommittee met, pursuant to notice, at 1:35 p.m., in room 1100, Longworth House Office Building, Hon. Philip M. Crane (Chairman of the Subcommittee) presiding.

[The advisory and revised advisory announcing the hearing follow:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE
April 20, 2004
TR–4

CONTACT: 202–225–1721

Crane Announces Hearing on Trade with sub-Saharan Africa and H.R. 4103, the "AGOA Acceleration Act of 2004"

Congressman Philip M. Crane (R–IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on trade with sub-Saharan Africa and H.R. 4103, the "African Growth and Opportunity (AGOA) Acceleration Act of 2004." **The hearing will take place on Thursday, April 29, 2004, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 1:00 p.m.**

Oral testimony at this hearing will be from both invited and public witnesses. Any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Subcommittee and for inclusion in the printed record of the hearing.

BACKGROUND:

In an effort to address the trade and development needs of sub-Saharan Africa, the Committee on Ways and Means in the 105th Congress began moving legislation to create a trade preference program specially tailored for that region. The bipartisan Africa Growth and Opportunity Act (P.L. 106–200) was enacted in 2000, creating a landmark trade program that provides extensive preferential duty-free access for eligible African countries and offers tangible incentives for African countries to continue their efforts to open their economies, build free markets, and encourage investment in the region. Two years later, President Bush signed into law trade-enhancing amendments to AGOA on August 6, 2002, as part of the Trade Act of 2002 (P.L. 107–210).

Reports from the Administration, businesses, civil society organizations, and African leaders indicate that AGOA has been a great success. To continue the bipartisan effort to improve trade and development with Africa, Chairman Bill Thomas (together with Reps. McDermott (D–WA), Crane (R–IL), Rangel (D–NY), Royce (R–CA), Houghton (R–NY), Neal (D–MA), Dunn (R–WA), Jefferson (D–LA), Weller (R–IL), Brady (R–TX), Payne (D–NJ), and Levin (D–MI)) introduced the AGOA Acceleration Act, on April 1, 2004. H.R. 4103 would help expedite growth in African trade and continue to strengthen the foundation for development in Africa by: (1) providing an overall extension of AGOA until 2015; (2) adding technical assistance provisions that will make it easier for African countries to develop the framework to participate in the benefits; (3) fixing interpretation issues encountered with the U.S. Department of Commerce; and (4) extending the third country fabric provision, now set to expire on September 30, 2004, for three years (subject to a cap) including a phase-out, in year three.

In announcing the hearing, Chairman Crane stated, "The African Growth and Opportunity Act is an historic piece of legislation that has directly helped several hundred thousand Africans improve their lives, but I feel we have only begun to tap into the potential of what trade can do in the region. We hope to build upon the success of the current program by passing H.R. 4103. I look forward to this opportunity to explore further how AGOA can promote mutually beneficial trade and investment opportunities between Africans and Americans."

FOCUS OF THE HEARING:

The hearing will focus on the impact of the current AGOA law on trade and development in Africa and ways that Congress can correct interpretive problems in the law, encourage infrastructure improvements, and generally accelerate the goals of the program. In addition, the hearing will explore H.R. 4103, the AGOA Acceleration Act.

The Subcommittee expects several issues related to these broad themes to be discussed at the hearing, including: (1) overview of the U.S. and African textile and apparel industries and AGOA's effect on them; (2) the proposed extension of the AGOA program to 2015; (3) the proposed three year extension of the third-country fabric provision set to expire September 30, 2004; (4) impact of the expiration of global quotas on African textiles and apparel developments; (5) U.S. support of infrastructure to increase trade capacity and ecotourism; to support transportation, energy, agriculture, and telecommunications infrastructure; and to improve port-to-port and airport-to-airport relationships; (6) agricultural technical assistance; and (7) other AGOA-related trade issues.

DETAILS FOR SUBMISSIONS OF REQUESTS TO BE HEARD:

Requests to be heard at the hearing must be made by telephone to Peter Sloan or Kevin Herms at (202) 225-1721 no later than the close of business on Thursday, April 22, 2004. The telephone request should be followed by a formal written request faxed to Allison Giles, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515, at (202) 225–2610. The staff of the Subcommittee will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Subcommittee staff at (202) 225-6649.

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing in lieu of a personal appearance. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than 5 minutes. **THE 5-MINUTE RULE WILL BE STRICTLY ENFORCED. The full written statement of each witness will be included in the printed record, in accordance with House Rules.**

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Subcommittee are required to submit 200 copies, along with an *IBM compatible 3.5-inch diskette in WordPerfect or MS Word format,* of their prepared statement for review by Members prior to the hearing. **Testimony should arrive at the Subcommittee office, 1104 Longworth House Office Building, no later than Tuesday, April 27, 2004 at noon.** The 200 copies can be delivered to the Subcommittee staff in one of two ways: (1) Government agency employees can deliver their copies to 1104 Longworth House Office Building in an open and searchable box, but must carry with them their respective government issued identification to show the U.S. Capitol Police, or (2) for non-government officials, the copies must be sent to the new Congressional Courier Acceptance Site at the location of 2nd and D Streets, N.E., **at least 48 hours prior to the hearing date. Please ensure that you have the address of the Subcommittee, 1104 Longworth House Office Building, on your package, and contact the staff of the Subcommittee at (202) 225-6649 of its impending arrival.** *Due to new House mailing procedures, please avoid using mail couriers such as the U.S. Postal Service, UPS, and FedEx.* When a couriered item arrives at this facility, it will be opened, screened, and then delivered to the Subcommittee office, within one of the following two time frames: (1) expected or confirmed deliveries will be delivered in approximately 2 to 3 hours, and (2) unexpected items, or items not approved by the Subcommittee office, will be delivered the morning of the next business day. The U.S. Capitol Police will refuse all non-governmental courier deliveries to all House Office Buildings.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Please Note: Any person or organization wishing to submit a written statement for the printed record of the hearing must send it electronically to *hearingclerks.waysandmeans@mail.house.gov,* along with a fax copy to (202) 225–2610, by the close of business Tuesday, May 4, 2004. In the immediate future, the Committee website will allow for electronic submissions to be included in the printed record. Before submitting your comments, check to see if this function is available. Finally, those filing written statements who wish to have their statements distributed to the press and interested public at the hearing can follow the same procedure listed above for those who are testifying and making an oral presentation. **Please directly follow these guidelines to ensure that each statement is included in the record.**

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted electronically to *hearingclerks.waysandmeans@mail.house.gov,* along with a fax copy to (202) 225–2610, in WordPerfect or MS Word format and MUST NOT exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All statements must include a list of all clients, persons, or organizations on whose behalf the witness appears. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at *http://waysandmeans.house.gov*.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

NOTICE—CHANGE IN TIME

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE
April 27, 2004
TR–4–Revised

CONTACT: (202) 225–6649

Change in Time for Hearing on Trade with sub-Saharan Africa and H.R. 4103, the "AGOA Acceleration Act of 2004"

Congressman Philip M. Crane (R–IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee hearing on trade with sub-Saharan Africa and H.R. 4103, the "African Growth and Opportunity (AGOA) Acceleration Act of 2004," previously scheduled for Thursday, April 29, 2004, at 1:00 p.m., in the main Committee hearing room, 1100 Longworth House Office Building, ***will now begin at 1:30 p.m.***

All other details for the hearing remain the same. (See Trade Advisory No. TR–4, dated April 20, 2004.)

Chairman CRANE. I want to welcome all of you folks to this hearing of the Committee on Ways and Means Subcommittee on Trade to focus on the impact of the African Growth and Opportunity Act (AGOA) (Trade and Development Act of 2000, P.L. 106–200) on the trade development in Africa and ways that Congress can correct interpretive problems in the law, encourage infrastructure improvements, and generally accelerate the goals of the program. In addition, the hearing will explore the AGOA Acceleration Act of 2004 (H.R. 4103) (P.L. 108–274). It is my pleasure to welcome our witnesses and distinguished guests to our hearing, but particularly one who will not be testifying but is in our audience, the Prime Minister of Swaziland and ministers and ambassadors from all over Africa.

The AGOA, which I authored, was originally enacted in 2000 and was the product of nearly 5 years of bipartisan cooperation with my colleagues on the Committee, Jim McDermott, Charlie Rangel, William Jefferson and others. The AGOA has proven to be one of the most effective means of helping African nations develop and attract investment and enhance the standard of living for their citizens. The AGOA has also made a strong positive impact on the U.S.-sub-Saharan African relations by helping to expand our trade relationship. Expanded trade opportunities not only help those countries develop a sustainable economic base, but also foster efficient government practices, political stability, and a well-grounded rule of law.

More importantly, AGOA has helped develop a more stable Africa, a step which strengthens security for America and the world. Africa has benefited greatly from the ex-trade preferences with the United States. United States imports under AGOA, excluding the generalized system of preferences, have almost doubled from their 2001 level of $7.6 billion to their 2003 level of $13.2 billion. At the same time, 150,000 AGOA-related jobs have been created, along with $34 million in foreign investment in the 5 leading AGOA countries. The AGOA has also begun to have a positive effect on other areas by improving business practices in Africa and encouraging regional integration. However, despite these positive developments, many countries have not yet been able to benefit fully from AGOA, just as a key provision is set to expire.

House Resolution 4103, the bipartisan AGOA Acceleration Act, provides the means for African countries to develop a more prosperous economic environment, a well-grounded rule of law, and efficient and acceptable government practices. By building on early successes, this bill will attempt to distribute more widely AGOA's benefits. The new legislation concentrates on four items: first, an overall extension of AGOA until 2015; second, technical assistance, encouragement of activities to support infrastructure development, and capacity-building studies to enable Africa to utilize the program fully; third, language fixing several implementation problems which have arisen since the program's enactment to encourage further integration among the region's economy; four, an extension of the expiring provision which allows use of third-country fabric that is non-U.S. and non-African fabric in garment manufacturing for African lesser developed countries (LDCs). I realize a strong regional economy needs to be based on more than just the textile and apparel industries. Modernizing infrastructure, diversification into other industries like agriculture, and building on natural strengths like ecotourism will help Africa secure a more stable future.

The AGOA Acceleration Act includes several provisions aimed at just that, encouraging activities in support of infrastructure to increase ecotourism and trade capacity; encouraging activities in support of transportation, energy, agriculture, and telecommunications infrastructure; and identifying eligible sub-Saharan Africa countries that have the greatest potential to increase marketable exports of agricultural products to the United States, but also the greatest need for technical assistance. I believe helping Africa through trade will contribute to more fundamental improvements and governance and overall quality of life in Africa. Critical benefits for our African partners will expire soon if Congress does not take immediate action. I strongly support the AGOA Acceleration Act, and I look forward to its positive consideration by Congress in the coming weeks based on its strong bipartisan support. Now I yield to the Ranking Member on our Subcommittee, Mr. Levin.

[The opening statement of Chairman Crane follows:]

Opening Statement of The Honorable Philip M. Crane, Chairman, and a Representative in Congress from the State of Illinois

Welcome to this hearing of the Ways and Means Trade Subcommittee to focus on the impact of AGOA on trade and development in Africa and ways that Congress can correct interpretive problems in the law, encourage infrastructure improvements, and generally accelerate the goals of the program. In addition, the hearing will explore H.R. 4103, the AGOA Acceleration Act. It is my pleasure to welcome our witnesses and distinguished guests to our hearing, particularly the Prime Minister of Swaziland and Ministers and Ambassadors from all over Africa.

The Africa Growth and Opportunity Act, originally enacted in 2000, has proven to be one of the most effective means of helping African nations develop and attract investment and enhance the standard of living for its citizens. AGOA has also made a strong positive impact on U.S.-sub-Saharan African relations by helping to expand our trade relationship. Expanded trade opportunities not only help these countries develop a sustainable economic base but also foster efficient government practices, political stability, and a well-grounded rule of law. More importantly, AGOA has helped develop a more stable Africa—a step which strengthens security for America and the world.

Africa has benefited greatly from the Act's trade preferences with the United States. U.S. imports under AGOA (excluding the Generalized System of Preferences) have almost doubled from their 2001 level of $7.6 billion to their 2003 level of $13.2 billion. At the same time, 150,000 AGOA-related jobs have been created along with $340 million in foreign investment in the five leading AGOA countries. AGOA has also begun to have a positive affect on other areas, by improving business practices in Africa and encouraging regional integration. However, despite these positive developments, many countries have not yet been able to benefit fully from AGOA just as a key provision is set to expire.

H.R. 4103, the bipartisan AGOA Acceleration Act, provides the means for African countries to develop a more prosperous economic environment, a well-grounded rule of law, and efficient and acceptable government practices. By building on early successes, this bill will attempt to distribute more widely AGOA's benefits.

The new legislation concentrates on four key items: (1) an overall extension of AGOA until 2015; (2) technical assistance, encouragement of activities to support infrastructure development, and capacity building studies to enable Africa to utilize the program fully; (3) language fixing several implementation problems that have arisen since the program's enactment and encourage further integration among the region's economies; and (4) an extension of the expiring provision that allows use of third-country fabric (i.e., non-U.S. and non-African fabric) in garment manufacturing for lesser-developed African countries.

I realize that a strong regional economy needs to be based on more than just the textile and apparel industries. Modernizing infrastructure, diversification into other industries like agriculture, and building on natural strengths like ecotourism, will help Africa secure a more stable future. The AGOA Acceleration Act includes several provisions aimed at just that: encouraging activities in support of infrastructure to increase ecotourism and trade capacity; encouraging activities in support of transportation, energy, agriculture, and telecommunications infrastructure; and identifying eligible sub-Saharan African countries as having the greatest potential to increase marketable exports of agricultural products to the United States and the greatest need for technical assistance.

Critical benefits for our African partners will expire soon if Congress does not take immediate action. I strongly support the AGOA Acceleration Act and I look forward to its positive consideration by Congress in the coming weeks based on its strong bipartisan support. I believe helping Africa through trade will contribute to more fundamental improvements in governance and overall quality of life in Africa.

Mr. LEVIN. Thank you, Mr. Chairman. I am going to have the rare privilege of yielding to Mr. Rangel, the Ranking Member. He usually yields to me. I want to say just a few words before I do that. I am pleased to join my colleagues here for the consideration of this bill. I regret that I am going to have to leave to depart Washington and catch a plane. I am going to take this testimony with me and read it on the plane. This is vital, this legislation, in many respects. We simply cannot allow expiration of AGOA. There has to be its renewal, point one.

Point two, I would hope its continuation will spark all of us to take a look at one of the critical areas, textile and apparel, and to do so in a broader way and not only in terms of one continent or one region. Some of us have been urging that that be done, and it really has not been.

The last point I wanted to make is I am glad there is the addition of our distinguished colleague Mr. Royce and the distinguished representatives of several countries testifying here, and that we are going to have another panel, and that it will be diverse in its backgrounds and to some extent diverse in its points of view. Expansion of international trade is not a simple matter. It has complexities, and if we are going to come up with the right answers, we need to dip into a diverse group, a diverse set of views about how we expand and shape international trade. So, this is an important hearing. It is now, as I said, my privilege to yield to the distinguished Ranking Member of the entire Committee, Mr. Rangel of New York.

Mr. RANGEL. Thank you very much. I want to thank the Chairman of the Subcommittee, Mr. Crane for holding this hearing. I cannot think of anything in the last few years that have brought Bill Thomas and I together except the AGOA bill. Quite frankly, most trade bills this time of the election cycle are dead on arrival, but the enthusiastic support of expanding and not allowing the success of AGOA to expire is due in a large part to the sophistication and the diligence of the African diplomatic corps. Some of them are in the audience from Swaziland, Kenya, Mauritius, Lesotho, and the other diplomatic corps have learned a lot from the manner and the cooperation and the knowledge that you have managed to share with legislators who want to do the right thing, but needed the sophistication of how we can do it best.

I want to thank the members of the apparel industry who are here from Vanity Fair (VF), Gap and mass industries because they, like my late and dear friend Ron Brown, realize that business and democracies need more than just a flag and a gun. You need jobs, dreams; you need hopes; you need to care for people. If we are going to be the beneficiary of free trade, we have to deal with countries that respect their workers, that give them an opportunity to get disposable income so they can continue to buy America's goods and services.

So, tremendous progress that has been made not only in the creation of jobs, but living by the rule of law, providing assistance to trade unions, and removing tariffs is really what Democrats and Republicans should be all about rather than the politics of today. This legislation and the cooperation of this Committee, from the House and Senate, from the private sector and the diplomatic corps, shows that bipartisanship works. Mr. Chairman, I want to thank you for constantly reaching out to find areas of cooperation. I do hope we can speedily get this bill to the President.

Chairman CRANE. I thank you, Mr. Rangel, and I thank all of our colleagues that are able to be here today. Our first witness is the Chair of the Africa Subcommittee of the Committee on International Relations, the Honorable Ed Royce from California. Mr. Royce, I yield to you for your presentation.

STATEMENT OF THE HONORABLE EDWARD R. ROYCE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. ROYCE. Thank you, Mr. Chairman. I thank you very much for inviting me to testify before you on the AGOA Acceleration Act of 2004. As one of its original cosponsors, I have enjoyed working with your Committee on this bipartisan legislation. I would like to take this moment to commend our Ranking Member, Charlie Rangel, and to commend our Chairman, Bill Thomas, and certainly you for your involvement in this process, and also Ranking Member Levin. We have several original cosponsors on the dais with you. One is Mr. Jefferson; another is Ms. Dunn, and we thank them for their important work on this legislation as well. I will approach my support for H.R. 4103 from the position of chairing the Africa Subcommittee since 1997. Since taking the Chairmanship, I have worked with you and others on your Committee to see that Africa does not fall off the world economic map, where, in my view, it is teetering.

Today, 3 years into the program, we know that AGOA has worked. While many of us wish that more African countries and more African industries, particularly agricultural industries, were taking advantage of AGOA, we do know it has managed to draw hundreds of millions of dollars of foreign investment to the continent, creating hundreds of thousands of desperately needed jobs across Africa. Several Members, in fact, have had the opportunity to visit apparel plants in Africa and see this encouraging development firsthand. We have also seen AGOA spark very difficult economic reforms across Africa. We have seen this happen as African countries have strived to maintain their AGOA eligibility. The AGOA, in just a few short years, has given many Africans experience with the export-led economic growth that has lifted hundreds of millions of people out of poverty worldwide. This makes AGOA the most effective development aid program for Africa that I am aware of.

The AGOA also has bolstered our political relations with many African governments. Few African officials with whom I've met haven't taken the opportunity to express their support and their appreciation for AGOA. I think this is important diplomatic capital that we have gained. In considering this legislation, I would like to underscore that the African continent is at a crossroads. The vision many of us have been working on for years is one of an increasingly stable and democratic Africa, one that is combating Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (HIV/AIDS) and exporting and importing more goods and services. The AGOA has been central to our joint effort with Africans to see that this vision is their future. The other very different path Africa could get caught on leads to even greater poverty, hunger, conflict, disease and environmental degradation.

To my mind, it is unclear which way Africa is headed. Its challenges are immense. What is quite clear is that our Nation would suffer considerably, our growing security and economic interests on the continent would suffer, as would our humanitarian character, should Africa find itself on this downward path. If Congress fails to pass this legislation before the third-country fabric provision expires in September, we will be undoing much of the good that AGOA has done.

Intensified competition from China and other countries is coming soon as apparel trading rules are set to change. Unless we act, this will surely wipe out much of Africa's emerging apparel industry and many African jobs that have been created, and much hope will be wiped out as well. Already I am told apparel orders for Africa are being put on hold, or in some cases are being canceled due to the uncertainty over Congress' action. Our credibility as a nation that takes an interest in the plight of the world's poorest continent is on the line. So, the stakes of this seemingly modest legislation are high. Today, Mr. Chairman, I am pulling an alarm for Africa and for America. Let us act and do our part to direct Africa away from the hopeless path.

Finally, I will mention that this legislation has trade capacity-building provisions that the Africa Subcommittee will soon review with a hearing. We have long recognized that African countries can use some help to take advantage of AGOA's preferential market access. This is an important part of H.R. 4103. Thank you, Mr. Chairman. I know that you and Chairman Thomas are committed to quick action to help Africa and to help along our many interests on the continent. I would also like to thank the other Subcommittee Members here today, and mention Mr. Amo Houghton, who is an original cosponsor of this bill as well.

[The prepared statement of Mr. Royce follows:]

Statement of The Honorable Edward R. Royce, a Representative in Congress from the State of California

Thank you Chairman Crane for inviting me to testify before your Subcommittee on H.R. 4103, the "AGOA Acceleration Act of 2004." As one of its original co-sponsors, I've enjoyed working with your Committee on this bipartisan legislation. I'd like to commend Chairman Thomas, Ranking Member Rangel, and you, Mr. Chairman, who has been involved since the beginning of the AGOA process, as well as Ranking Member Levin.

I'll approach my support for H.R. 4103 from the position of chairing the Africa Subcommittee (of the International Relations Committee) since 1997. Since taking the chairmanship, I've worked with you and others to see that Africa doesn't fall off the world economic map, where it's teetering.

Today, three years into the program, we know that AGOA has worked. While many of us wish that more African countries and more African industries, particularly agricultural industries, were taking advantage of AGOA, it has managed to draw hundreds of millions of dollars of foreign investment to the continent, creating hundreds of thousands of desperately needed jobs. Several Members, in fact, have had the opportunity to visit apparel plants in Africa and see this encouraging development first hand. We've also seen AGOA spark difficult economic reforms, as African countries have strived to maintain their AGOA eligibility. AGOA, in just a few short years, has given many Africans experience with the export-led economic growth that has lifted hundreds of millions of people out of poverty worldwide. This makes AGOA the most effective development aid program for Africa that I'm aware of.

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In considering this legislation, I'd like to underscore that the African continent is at a crossroads. The vision many of us have been working for is an increasingly stable and democratic Africa, one that is combating HIV/AIDS and exporting and importing more goods and services. AGOA has been central to our joint effort with Africans to see that this vision is their future. The other, very different path Africa could get caught on leads to even greater poverty, hunger, conflict, disease and environmental degradation. To my mind, it's unclear which way Africa is headed. Its challenges are immense. What is quite clear though is that our nation would suffer considerably—our growing security and economic interests on the continent would suffer, as would our humanitarian character—should Africa find itself on this downward path.

If the U.S. Congress fails to pass this legislation before the third country fabric provision expires in September, we'll be undoing much of the good that AGOA has done. Intensified competition from China and other countries is coming soon as apparel trading rules are set to change. Unless we act, this will surely wipe out much of Africa's emerging apparel industry, the many African jobs it has created, and much hope. Already, I'm told, apparel orders for Africa are being cancelled due to the uncertainty over Congress' action. Our credibility as a nation that takes an interest in the plight of the world's poorest continent is on the line.

The stakes for this seemingly modest legislation are high. Today, Mr. Chairman, I'm pulling an alarm for Africa—and for America. Let's act, and do our part to direct Africa away from the hopeless path.

Finally, I'll mention that this legislation has trade capacity building provisions that the Africa Subcommittee will soon review with a hearing. We've long recognized that African countries can use some help to take advantage of AGOA's preferential market access. This is an important part of H.R. 4103.

Thank you again Mr. Chairman. I know that you and Chairman Thomas are committed to quick action to help Africa, and to help along our many interests on the continent. I'd also like to thank the Subcommittee Members here today for their focus on this key issue.

Chairman CRANE. Thank you, Mr. Royce. Are there any questions for Mr. Royce? If not, I express appreciation to you for being here, and we hope you catch your flight. We now welcome our first panel, which includes the Honorable Mpho Malie, Minister For Trade and Industry in the Kingdom of Lesotho; the Honorable Jayakrishna Cuttaree, Minister of Foreign Affairs from Mauritius; and His Excellency, Dr. Yusuf Nzibo, Ambassador, the Republic of Kenya.

Gentlemen, let me welcome you to the Committee and let you know how much we appreciate you coming and testifying and how important your input is to the legislation that will address some of the problems you may be facing. If you would try and keep your presentations to approximately 5 minutes, then we will open it up to questions and answers after all of you have testified. With that, we will start with the Honorable Mpho Malie from Lesotho. He will be followed in turn by Mr. Cuttaree and then Dr. Nzibo.

STATEMENT OF THE HONORABLE MPHO MELI MALIE, MINISTER OF TRADE AND INDUSTRY, LESOTHO

Mr. MALIE. Thank you. It is a great honor and privilege for me to appear and testify before the Subcommittee on the AGOA Acceleration Act. Allow me on behalf of the government of Lesotho to register our sincere appreciation, gratitude and a sense of hope for the introduction of the legislation to accelerate AGOA. We were very much delighted to witness the continued bipartisan initiative to improve trade and development with Africa on April 1, 2004, when the Honorable Bill Thomas, the Chairman of the Committee on Ways and Means, accompanied inter alia by you, Mr. Chairman, Representatives McDermott, Rangel, Royce, Houghton, Payne, Brady and others, introduced the AGOA Acceleration Act.

We are talking about an act that is affecting over 700 million people living in the poorest part of the world with over 80 percent of the world's LDCs within that region. We are talking about a region that has the highest unemployment rate in the world, and also the world's highest HIV infection and AIDS cases, and certainly we are hoping that what this initiative is doing will help us a lot.

The AGOA is an initiative by the American government to give a helping hand that will allow sub-Saharan African states to pull themselves up by the bootstrap. It is a bootstrap initiative, and I would proudly like to indicate is working and has been extremely successful. In my country since our certification in April 2001, we have been able to increase employment in the textile and clothing sector from 19,000 in the year 2000 to currently just over 50,000. We have also increased our exports into the United States from $140 million in 2000 to just over $400 million in the year 2003. All of this is directly attributable to AGOA.

The U.S. Administration has been sensitive to implementation problems; hence, AGOA II to address the need to shape and the inclusion of Botswana on the list of lesser developed economies for our session on third-country fabric benefits. Serious problems have arisen, the major one being the end of the third-country fabric sourcing window which comes to an end September 30. Because of the lack of vertical integration within our textile industries, this window has been responsible for foreign direct investment flows in our countries throughout the CMTs. Closure of that window ends the competitiveness we have had with respect to China, which is going to come to an end. Thence, uncertainty of the extension of this facility has resulted in cancelation and suspension of orders. Lesotho, currently we have 40 million U.S. dollars of suspended and canceled orders which has affected 23 factories and 37,000 jobs within those factories. Consequences of nonextension or delays of the extension would be too ghastly to contemplate. Layoffs already loom, job losses, shutdowns, the economy slowdowns are inevitable. The above scenario would exacerbated by the expiring of the multifiber arrangement come January 2005.

Mr. Chairman, this bill will, to a large extent, ameliorate the impact of the above phenomenon. This bill injects hope into the muscles of our countries. It is a bill of hope. The hope of integrating 80 percent of the world's lesser developed countries (LDC) onto the mainstream of world trade, the hope of fighting HIV and AIDS in the world's most infected countries, the hope of eradicating poverty and joblessness in those countries lies in the passage of this bill into law. One could not agree more with Section 2 of the bill on findings. Those findings within the bill are nothing else but the truth. The policy statement gives courage and hope to all of us, and Congress' support of the many aims and efforts are really encouraging.

Inclusion of expansion of social services, education and health with priorities to addressing HIV/AIDS, malaria and tuberculosis are to be commended, as is addressing agriculture, sanitary standards and capacity building. This is at long last development targeted to the masses, seeing as most of the sub-Saharan Africa economies are centered on agriculture, with my own country, Lesotho, having 85 percent of its population rural.

Mr. Chairman, as indicated, the bill is a bill of hope. One cannot overemphasize the urgency of having this bill in the statute books by June 2004. We would also like to record our appreciation of development dimensions of the sections of the bill in reaction to the technical assistance provisions that will make it easier for sub-Saharan Africa to develop the framework to participate in the benefits and take full advantage of the proposed extension by 3 years of the third-country fabric provision.

In conclusion, I would like to reiterate that AGOA has facilitated new investment, created jobs and helped form commercial linkages which continue to foster new investment opportunities and increased prosperity in sub-Saharan Africa over the long term. We have seen in Lesotho $140 million investment in a denim mill which is now bringing about international trade with over 50,000 metric tons of cotton per month from the region. Mr. Chairman, we remain confident that our hopes will turn into reality and that this bill of hope will be treated with the urgency it deserves and move through both houses by June this year, allowing even those sub-Saharan African states that are still to be certified and benefit of this great initiative to come on board. I thank you, Mr. Chairman.

[The prepared statement of Mr. Malie follows:]

Statement of The Honorable Mpho 'Meli Malie, Minister of Trade and Industry, Cooperatives and Marketing, The Kingdom of Lesotho

Mr. Chairman, Congressman Philip M. Crane, Members of the Committee, members of the diplomatic corps, distinguished guests, ladies and gentlemen.

It is a great honour and privilege for me to appear and testify before this Honourable Subcommittee on the AGOA Acceleration Act.

Allow me on behalf of the Government of Lesotho to register our sincere appreciation, gratitude and a sense of hope for the introduction of the legislation to accelerate the African Growth and Opportunity Act. We were very much delighted to witness the continued bipartisan initiative to improve trade and development with Africa on April 1, 2004 when Honourable Bill Thomas, the Chairman of the House Committee on Ways and Means, accompanied, inter alia, by you, Mr. Chairman, Representatives McDermott, Rangel, Royce, Houghton, Payne, Brady and others, introduced the AGOA Acceleration Act.

I have carefully studied the AGOA III text and am deeply encouraged, and believe that my colleagues in the sub-Saharan African (SSA) countries share the same views. I share the same sentiments that this bold step would help expedite growth in African trade and continue to strengthen the foundation for development in Africa.

Mr. Chairman, the fact that the bill aims to legislate, amongst others, that the textiles and apparel provisions under AGOA should be interpreted in a broad and trade-expanding manner is encouraging. Also, modification of the rules of origin on third country produced cuffs and collars is most welcome. In addition, we heartily welcome the new initiatives in the bill on promotion of investment in infrastructure, an impediment that has curbed the dynamism of AGOA I and II.

The involvement in the agricultural sector through provision of technical assistance and capacity building in sanitary and phytosanitary standards issues to help us to meet the U.S. requirements, will contribute towards the development of this important sector that affects the lives of millions of our rural communities. In Lesotho, about 85% of the population lives in the rural areas and is dependent on agriculture for its livelihood.

Chair, the bill is a bill of hope. Our hopes for the acceleration of the development of most of our economies in the SSA countries are pinned on this bill.

I am here to provide testimony on the urgent need for action on AGOA III. It is important that we send proper signals to both investors and retailers as the implications of the uncertainty clouding the extension of AGOA and the third country fabric benefits are already being translated into unpalatable consequences of cancelled and suspended orders. To be specific, Mr. Chairman, in the case of Lesotho alone, as we speak orders to the value of about U.S. $40 million have been affected. Clearly, the prospects are not encouraging as job losses, lay-offs and economic slow-down is looming and AGOA's potential to expand and encourage economic growth in the certified AGOA beneficiary countries is at stake.

AGOA's purpose is to help spur prosperity and development in sub-Saharan African countries and integrate our economies fully in the global economy by giving us greater access to the U.S. market. Most of us in the sub-Saharan Africa bear testimony today that AGOA is working. In particular, Lesotho has seen, since the inception of AGOA in 2000, and certification on 21 April in 2001, dramatically positive changes in her economic landscape. Today, there are about 50,000 jobs in the apparel industrial sector as against 20,000 jobs in the year 2000, making the private sector the number one employer, exceeding government employment for the first time since our independence in 1966.

The value of Lesotho's exports to the United States was U.S. $140 million in 2000, U.S. $215 million in 2001, U.S. $320 million in 2002 and increased to U.S. $400 million in 2003. Thus, the increase of Lesotho's exports to the U.S. for the years 2001 to 2003 is directly attributable to the AGOA initiative.

The AGOA trade directly contributed to 34% of Lesotho's GDP in 2003 and with multiplier effect it was around 40%. AGOA trade enabled us to improve our trade balance by approximately U.S. $100 million. As a result, Lesotho's balance of payments firmly remained above 5 months of imports cover. The AGOA initiative contributed to 13% of our total revenue in 2003 and thereby improved our fiscal balance.

The sustained growth experienced in Lesotho in the last 3 years, driven mainly by the AGOA trade, provides the basis for poverty reduction on a sustainable basis in the country. Clearly, Lesotho as a least developed country bears testimony to the important role that AGOA can play in turning around the economies of the poor sub-Saharan African countries, if given adequate time and an enabling environment.

Mr. Chairman, distinguished ladies and gentlemen, the government of Lesotho and indeed most of the sub-Saharan African countries that are classified as least developed countries and as such beneficiaries of the AGOA and the current third country fabric benefits, surely, have reason to rejoice at the news of the impending and bipartisan initiative to introduce the AGOA Acceleration Act of 2004. We welcome this timely intervention for which the House Committee on Ways and Means, under the able leadership of Congressman Thomas, deserves commendation. Passing this legislation will profoundly and positively impact on the socio-economic development programmes of job creation and poverty eradication, which are our primary national goals.

In December 2003, my colleagues and I (Trade Ministers from AGOA-eligible countries) met with President Bush and senior U.S. administration officials in Washington, D.C., during the AGOA Forum (third U.S.-sub-Saharan African Trade and Economic Cooperation Forum). We were particularly pleased and encouraged by President Bush's personal, visionary and unwavering support, and commitment to AGOA and his personal assurance to work closely with Congress in ensuring extension of AGOA thereby encouraging African support for open markets and multilateral trade liberalization.

Mr. Chairman, to reiterate, AGOA has facilitated new investment, created jobs, and helped form commercial linkages that continue to foster new investment opportunities and increase prosperity in sub-Saharan Africa over the long term. In the case of Lesotho, we have witnessed foreign direct investment in the textiles and clothing sector to the value of U.S. $140 million for production of denim fabric and yarn, we have started importing cotton from SSA cotton producers for this mill which will be producing around 2 MSME of denim fabric per month and importing around 50,000 tons of cotton per month at full production. The prospects are bright and we cannot let AGOA fail.

The consequences of non-extension in general, and the third country fabric benefits in particular, would be too ghastly to contemplate as our nascent textile and clothing industry is struggling to position itself for the stiff global competition it has to contend with after the expiry of the AGOA benefits, and the removal of quotas under the WTO agreement on textiles and clothing in January, 2005.

Mr. Chairman, AGOA is a growth and development initiative designed to meet the needs of the region in a sustainable manner by fostering regional integration. In this regard, the extension of AGOA to 2015 would provide eligible sub-Saharan Africa countries to fully integrate, particularly their textile and apparel industries.

We wish to record our appreciation of development dimension of the sections of the bill in relation to the technical assistance provision that will make it easier for African countries to develop the framework to participate in the benefits and take full advantage of the proposed extension by three years, of the third country fabric provision which is set to expire on 30 September, 2004.

We are gratified once more that the bill will be introduced in the House of Representatives shortly and hope that it will quickly go through to the floor of the Senate. Therefore, it is our fervent hope that the Senate will also recognize the critical importance of AGOA and challenges thereon. On this note, I urge both the House of Representatives and the Senate to use their best endeavours to fast-track the tabling of the bill through Congress in such a manner that AGOA Acceleration Act of 2004 will be in the U.S. statute-book by June 2004.

Mr. Chairman, we remain confident that, once again, our friends at the Capitol Hill will resolutely and decisively respond to our clarion call at this hour of need.

I thank you all for your attention.

Chairman CRANE. I thank you, Minister Malie. Now Minister Cuttaree.

STATEMENT OF THE HONORABLE JAYA KRISHNA CUTTAREE, MINISTER OF FOREIGN AFFAIRS, INTERNATIONAL TRADE AND REGIONAL COOPERATION, MAURITIUS, CHAIRPERSON, AFRICAN TRADE MINISTERS' CONFERENCE, AND SPOKESPERSON, AFRICAN UNION

Mr. CUTTAREE. Thank you, Mr. Chairman and Members of the Committee, for giving me an opportunity to talk to you this afternoon. The enactment of the AGOA in May 2000 was a bold new step in the economic relations between the United States and sub-Saharan Africa. Until then, these relations had been based solely on aid and a rather condescending attitude toward Africa, which could be summed up as benign neglect. In fact very few, if any, departments of the U.S. Administration had Africa desks, and those that existed were of minor interest. Indeed until the passage of the AGOA, there was no Africa desk at the U.S. Trade Representative's Office, which reflected this unwillingness to consider Africa, and sub-Saharan Africa in particular, as a serious economic partner to the United States.

The AGOA introduced a new concept that through trade and commercial development, there could be created sustainable economic development in Africa. Through the development of trade between the United States and Africa, genuine jobs could be created, a manufacturing basis could develop, women could play a greater role in the economic development of their country, and African countries could participate in the global economy. The spinoff from this development would be greater investment in infrastructure, the higher demand for education to have skilled workers, and the growth of both political and economic democracy.

The success of AGOA has gone beyond the hopes of its promoters. Hundreds of thousands of jobs have been created in Lesotho, Kenya, Botswana, Mozambique, Madagascar, Senegal and Mali. New opportunities have been created from automobile production by Bavarian Motor Works in South Africa to information technology development in Senegal and Ghana. Africa has ensured an effective presence in Washington, D.C., through the African Ambassador's Group in the U.S. Capitol, which allows to increase the flow of money and interest into Africa in such sectors as the fight against HIV/AIDS and the combat against poverty.

While AGOA I was enacted in May 2000, there has now been an AGOA II also enacted, and an AGOA III which is presently making its way through Congress. This reflects the dynamic relationship between the United States and Africa and the extension and the expansion of economic partnership between the two continents. We certainly hope that this dynamism will continue and extend AGOA to the most important area of African concern, agriculture, so that our continent can change from being a net food importer to again being a major food exporter to the world. Certainly textile and apparel have helped African countries to develop their economies, but until the fundamental issue of agricultural production and export is faced and achieved, Africa will remain the poor relative to the global economy.

At the present time, however, African countries are faced with a serious dilemma. Almost all sub-Saharan Africa countries are allowed to use fabric from anywhere in the world to start up their clothing industry. This provision stops on September 30, 2004. Hundreds of thousands of jobs referred to above are now in serious jeopardy if this provision is not renewed. That will not only create serious economic hardship for the infant industries in sub-Saharan Africa, but will also certainly create political and social disruption for those countries that have begun their manufacturing development. With the end of the multifiber agreement on January 1, 2005, these African countries will be faced with direct competition from traditional major exporters such as China, India and Pakistan, which all have integrated industries, producing their own cotton, spinning and weaving, and then making the clothing. Unless urgent action is taken to pass the AGOA III, there will be serious effects on African textile and clothing production.

The AGOA has been a catalyst for new thinking in Africa. Its provisions not only require that African countries take concrete steps toward political and economic democracy, but they encourage an essential element in the African Renaissance, which is a steady movement toward regional integration. The drive by regional trading blocs such as Southern African Development Community, Common Market for Eastern and Southern Africa, and Economic Community of West African States to lower tariffs among member states has resulted in an increased total intra-African trade volume, and an increase in the proportion of recorded trade. This means that the African governments are gaining an increased revenue from legitimate trade between our countries.

The AGOA is the keystone of the economic partnership between the United States and Africa. It has encouraged a sea change in these relations by forcing the U.S. Administration to take Africa seriously and to create Africa-specific departments in the executive. It has managed to create a bipartisan coalition in Congress, and ensured that help for poorer countries can transcend political divides in the United States. It has empowered African countries in the reality of new business and investment, but also in the ability of Africa to be heard on Capitol Hill and within the U.S. Administration. Indeed, with AGOA, we certainly believe that a new dawn has opened in U.S.-Africa economic relations.

[The prepared statement of Mr. Cuttaree follows:]

Statement of The Honorable Jaya Krishna Cuttaree, Minister of Foreign Affairs, International Trade and Regional Cooperation, Mauritius, in his capacity as Chairperson, African Trade Ministers' Conference and Spokesperson for the African Union

The enactment of the Africa Growth and Opportunity Act (AGOA) in May 2000 was a bold new step in the economic relations between the United States and Sub Saharan Africa. Until then these relations had been based solely on "aid" and a rather condescending attitude towards Africa, which could be summed up as "benign neglect". In fact very few, if any, Departments of the U.S. Administration had Africa desks and those that existed were of minor interest. In fact, until the passage of the AGOA, there was no Africa desk at the U.S. Trade Representative's Office which reflected this unwillingness to consider Africa and Sub Saharan Africa in particular as a serious economic partner to the USA.

AGOA introduced a new concept that through trade and commercial development, there could be created sustainable economic development in Africa. Through the development of trade between the USA and Africa, genuine jobs could be created, a manufacturing basis could develop, women could play a greater role in the economic development of their country and African countries could participate in the global economy. The spin off from this development would be greater investment in infrastructure, the higher demand for education to have skilled workers, and the growth of both political and economic democracy.

The success of AGOA has gone beyond the hopes of its promoters. Hundreds of thousands of jobs have been created in Lesotho, Kenya, Botswana, Mozambique, Madagascar, Senegal and Mali. New opportunities have been created from automobile production by BMW in South Africa to information technology development in Senegal and Ghana. Africa has ensured an effective presence in Washington DC through the African Ambassadors' Group in the U.S. capital which allows to increase the flow of money and interest into Africa in such sectors as the fight against HIV/AIDS and the combat against poverty.

While AGOA I was enacted in May 2000, there has now been an AGOA II also enacted and an AGOA III which is presently making its way through the U.S. Congress. This reflects the dynamic relationship between the USA and Africa and the extension and expansion of the economic partnership between the two continents. We certainly hope that this dynamism will continue and extend AGOA to the most important area of African concern, agriculture, so that our continent can change from being a net food importer to again being a major food exporter to the world. Certainly, textile and apparel have helped African countries to develop their countries but until the fundamental issue of agricultural production and export is faced and achieved, Africa will remain the poor relative of the global economy.

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AGOA is the keystone of the economic partnership between the USA and Africa. It has encouraged a sea-change in these relations by forcing the U.S. Administration to take Africa seriously and to create Africa specific departments in the Executive. It has managed to create a bi-partisan coalition in Congress, and ensured that help for poorer countries can transcend political divides in the USA. It has empowered African countries in the reality of new businesses and investment but also in the ability of Africa to be heard on Capitol Hill and with the U.S. Administration. With AGOA, we certainly believe that a new dawn has opened in U.S.-Africa economic relations.

Chairman CRANE. Thank you very much, Minister Cuttaree. Now we will hear from Ambassador Nzibo.

STATEMENT OF HIS EXCELLENCY DR. YUSUF ABDULRAHMAN NZIBO, AMBASSADOR, THE REPUBLIC OF KENYA

Ambassador NZIBO. Mr. Chairman, Members of the Committee on Ways and Means, on behalf of the Africa diplomatic corps, the people of Africa and the governments, I thank you for giving me this opportunity to speak on behalf of millions of people, of Africans, whose lives depend on this particular bill, the extension of AGOA. I am here to speak on behalf of millions of women and children in Africa whose lives and expectations and hopes lie on the extension of AGOA. By empowering our women and children, you are giving us not only hope, but you are giving us an opportunity to sustain those values of democracy and good governance that we so much love.

You, Members of this Committee, you have been the champion of our causes in Africa. You know best how much AGOA has done for us, and especially our women. By empowering our women, you are empowering a continent. From the shores of Senegal to the mountains of South Africa, AGOA has brought not only hope, but tremendous change in our lives. Therefore, our hopes lie with you to give us this opportunity. Many countries in Africa today are going through democratic changes, peaceful transition of powers have taken place, and are looking for trade and investment opportunities. As you have heard, regional integrations are bringing new hope to our people. Kenya has been a good example of the current democratic change that has taken place empowering our people to fight corruption and terrorism. The AGOA has brought new life and new expectations, created more jobs across the whole continent, created better livelihoods, and given our people an opportunity to acquire education and a means of survival. The women are the backbone of change, and AGOA has given them an opportunity, for if you empower them, you empower a continent of the future.

Mr. Chairman, we cannot talk of U.S.-African relations without talking about AGOA. The AGOA for us is more than just a trade bill. It has become a credible source of hope, an effective tool to fight hunger, poverty, and diseases which affect over 700 million people. If you are to fight HIV/AIDS effectively, malaria, tuberculosis and other infectious diseases, it is only through AGOA that we can bring hope to millions of Africans. The changes that have taken place in Africa in the last 3 years have been incredible. We have seen foundations being laid in relationships between the United States and Africa. This partnership brings hope and expectation because it has transformed millions of lives of Africans and created opportunities and better relationships between governments and their people.

Mr. Chairman, success stories in Africa cut across all sectors. In our country, Kenya, for example, since becoming AGOA-eligible in 2001, we have created over 150,000 jobs, textile exports have more than tripled, we have seen investments increase by over 23 percent, and this story can be told across the continent.

More importantly, thousands of people across the continent have become healthier, happier, productive, and are able to acquire basic means of survival. Women are able to find better jobs and invest their incomes, and their families' lives have improved. These stories can be told across the continent. With greater technical assistance, and I am thankful that this is receiving positive support, women across the country have acquired a means of trade. Capacity building has been improved, and we hope that by extending AGOA, these opportunities will be given to us. However, if this bill is not passed, and changes are abruptly halted, all of the positive things I have talked about will end. It will bring a lot of frustrations and make it more difficult to sustain democracy, to fight terrorism and give opportunity to our people. The AGOA, therefore, brings real sustainable change for Africa. It is my humble opinion, Mr. Chairman, as I take my new job as Ambassador to Saudi Arabia and Iraq next week, that you give us this job for changing and bringing a better life for Africa, this is a win/win situation for both Africa and the United States.

[The prepared statement of Ambassador Nzibo follows:]

Statement of His Excellency Dr. Yusuf Abdulrahman Nzibo, Ambassador, The Republic of Kenya

Mr. Chairman and Members of the House Ways and Means Trade Subcommittee, on behalf of the Africa Diplomatic Corps and the governments and people of Africa, I thank you for the opportunity to testify before this Committee and for all your support for Africa over the years.

Let me start by acknowledging that this Committee has made great efforts to promote trade and investments between the United States and Africa, of which AGOA is a central part. Today, one can hardly talk about U.S.-Africa relations without talking about the role, the impact and the importance of AGOA.

We live today, at a time when incredible opportunities are opening up to reverse persistent hunger and poverty in Africa. Many countries in Africa are embracing democratic ideals, peaceful transitions of power and aggressively seeking regional and trade opportunities to grow their economies and improve the lives of their people. My own country, Kenya, is a great example of these new opportunities and has become a symbol of hope for many other African countries. But in order to sustain these democratic changes, we must be able to translate this goodwill into more jobs, more income and better livelihoods for our people.

This is why, to Africa, AGOA is more than a trade bill. It has become to us an incredible source of hope and an effective tool to fight hunger, poverty and diseases afflicting our 700 million people. Africa is proud of AGOA and believes that it is one of the best U.S. policies towards Africa. Since its inception 3–4 years ago, AGOA has laid a good foundation for partnership between the U.S. and Africa, and helped to transform hundreds of thousands of lives in Africa through job creation, stable incomes and greater relationships between our governments and businesses.

Mr. Chairman, there are many success stories all across Africa that are attributed to AGOA. The statistics clearly demonstrate its track record and success. My country Kenya is one example of these AGOA successes. Since becoming AGOA-eligible in 2001, Kenya has gained over 150,000 new jobs; textile exports have more than tripled from $45 million in 2000 to $150 million by late 2003; and total investments in AGOA-related industries infrastructure increased by 23 % from $16 million to U.S. $21 million between 2002–03.

Most importantly, hundreds of thousands of people have been transformed into happier, healthier and more productive people in society. Families are now able to take their children to school and afford basic health care. Women are able to find better jobs and invest their incomes to better their families' nutrition. And these stories are repeated over and over in many AGOA-eligible African countries. With greater technical assistance and capacity building for agriculture, markets and trade, many more lives can be changed for the better, because Africa is largely an agrarian economy, with over three-quarters of the people dependent on agriculture!

However, these positive changes could abruptly end and instead of hope we might have incredible frustration if AGOA is not extended now! Mr Chairman, when AGOA was first enacted many people dismissed it as a hopeless bill that could not pass in an election year! Today, we face the same challenge! But I am here to say that AGOA is not a hopeless bill. It is a symbol of hope and a symbol of what the U.S. stands for—freedom, enterprise and equal opportunities for all! Mr. Chairman, I appeal to your Committee and this Congress to pass AGOA III. Lives in Africa literally depend on it!

Time is of essence. Current delays are causing cancellation of orders and job layoffs, rolling back the gains we have made so far. Africa needs AGOA III. It is good for Africa and the U.S. and we call on both the House and Senate to expedite the passage of this incredibly important Bill, without attaching other trade-related amendments that could bog it down.

Thank you.

Chairman CRANE. Thank you, Mr. Ambassador. Mr. Malie, Lesotho has been very successful under AGOA, and is achieving the results Congress intended, namely, attracting new investment, establishing manufacturing facilities, and, in textiles, being able to create a vertically integrated industry. What challenges did you face in taking advantage of the AGOA program, and how did you overcome them? Also, what advice would you give to other African countries that have not been as successful as you have?

Mr. MALIE. Mr. Chairman, first of all, I would like to indicate that we addressed ourselves as the government to issues of stability and good governance. We came up with anticorruption laws and made sure that we created a conducive climate for investment within the country. We have made efforts to come up with correct infrastructure to enable the investors to move in, and also to come up with correctly the framework in terms of investment, in terms of competition and security of investment to try and attract investments. The core issue really is peace and stability and the rule of law. I think that has been one of the major contributing factors to us seeing investors coming into the country.

We have certainly experienced a lot of serious problems indeed in terms of the infrastructure. We have not been able to provide the kind of infrastructure that is needed in terms of utilities, in terms of the roads, in terms of the factory shells that investors are looking for, and we have a lot of investors that are there in the pipeline. We have experienced growth on paper and on the ground, but there is more potential. The fact that the bill addresses infrastructure issues is going to be of great assistance to all of us. I would like to say to everybody within the region that stability and rule of law are major issues in terms of the ingredients that we need to be able to attract investment.

Chairman CRANE. Minister Nzibo, I know that Mauritius benefits from the European Union (EU) sugar program, but how are EU and U.S. agricultural subsidies impacting the rest of Africa, and isn't it in Africa's interest to cut those subsidies?

Mr. CUTTAREE. Indeed, sir. Since you mentioned the sugar industry of Mauritius, you know that historically Mauritius was, in fact, colonized for its sugar, and the people who came lived off the sugar industry. For years we have been selling our sugar to the United Kingdom, and when the United Kingdom joined the EU, the access of the Commonwealth countries, essentially Mauritius and some Caribbean islands, was guaranteed. This is how we benefit from the same prices and a quota which the European farmers get.

Obviously, we are living today in a very dynamic situation. We all know that pressure within Europe under prices and the various subsidies paid to the European farmers are actually very strong.

We know that inevitably there will be reductions in domestic support and subsidies, both in the United States and in Europe. This is why in Mauritius today we are reforming our industry. We are making it more competitive. We are making it leaner and a more technology-driven industry. We are going into other production, like to produce energy. We are going into ethanol. We are going from a sugar industry to a sugarcane industry. The end product is no longer sugar now. We think in a few years time we will be able to wean away from our dependence on the European market, and be more of a global player, but this demands resources, energy and vision. We are trying to do it this way.

As a spokesperson for Africa, as I said in my statement this afternoon, the key export of Africa will be agriculture. This is why we support the bipartisan approach which has been developed, as we see it developing now, between the EU and the United States. Why we don't go much beyond that. I think it is because we feel there are certain dangers at the same time, because in Africa we need infrastructure. We need the capital to produce not only for our market, but we need to be able to export competitively, and this demands infrastructure, roads, skills, sanitary systems and a military. All these problems take time. This is why we welcome a program like AGOA to build this capacity building.

The fear is if you have a very quick liberalization of agricultural trade, we might find ourselves in a situation where, before we can actually prepare ourselves to export in the world market, we find larger developing countries like Brazil or others taking the market, which is being opened essentially for us. Thank you.

Chairman CRANE. Thank you. Ambassador Nzibo, Kenya has been playing a very constructive role in the World Trade Organization (WTO) recently. Can you comment on how your country hopes to benefit from negotiations in the WTO and from liberalization of trade worldwide?

Ambassador NZIBO. Mr. Chairman, as you are aware, Kenya, like other African countries in the last few years, has made a tremendous change in reaching out not only to the region, but also to try to export to the rest of the world. We have been very active in WTO negotiations, and also very active in negotiations with U.S. authorities. Our hope lies in diversification. We are an agricultural country, like most African countries, and we want to diversify. Our textile industry was almost collapsing. It is AGOA that has brought hopes, created millions of jobs, and the spirit and effect of AGOA has been tremendous.

We depend very heavily on tourism. Unfortunately, because of the threats of terrorism, our tourism has been badly affected. We are now trying to diversify. We believe it is only through trade and negotiating effectively with African factors in the world trade, and through fair means of trade, that hopes can begin to flow not only to Kenya, but the rest of the continent.

Chairman CRANE. Thank you. Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman. I thank all of you for your exciting testimony. It just makes us feel good to see democracy spreading, the rule of law improving, the quality of life improving, and the hope and the opportunities that are there. One of the major political problems we have with most trade agreements is the failure to include basic labor standards in these bills, and the countries that don't have laws or don't enforce their laws, and the conditions surrounding the work. Workers sometimes have an inability to organize and to strike and to get time to get off to be with their families and enjoy the profits of their work. Would each of you share with me briefly the conditions at the workplace, whether there is a minimum wage or health benefits or mandatory overtime, if there is overtime? How have you improved the conditions of work for your workers? Minister Malie, we can start with you.

Mr. MALIE. Thank you, Congressman Rangel. I would like to indicate that what we are doing in Lesotho started some time back now. It is an arrangement whereby government, employers and labor come together to thrash out labor issues inclusive of minimum wages, conditions within the factories, and all of the conditions and the compliance with International Labor Organization pacts.

In fact, what we have done now, in my delegation I have a member of the trade unions, a representative of the trade unions, who has come along with us because we make sure that in all of our endeavors in terms of industrialization, labor is carried along. The trade unions are free to move into factories, and in my delegation we have the chairperson of the Lesotho Textile Exporters Association. There is a close working relationship between labor and employers and government in making sure that we respect the rights of our people who are working within those factories. One thing that has helped us a lot is the visa situation within AGOA where you are free to move in and check on these issues of labor and environment to make sure that we are complying and that we are doing the right things within our economies.

Mr. RANGEL. Thank you. Minister Cuttaree.

Mr. CUTTAREE. Thank you, sir. In Mauritius we have had a very long tradition of democracy and freedom of association. In fact, freedom of association is enshrined in our constitution. Therefore, trade unions have been a part of the political landscape of Mauritius for decades. Today, in fact, the trade union movement is considered as a partner with the government and also with the private sector. There are full tripartite meetings, for example, to decide on wages compensation. They are done regularly before any budget is presented.

At the same time, we have a national Economic and Social Council which is a forum for tripartite dialog on matters of economic interest where government, private sector and the trade union movement meet regularly to discuss economic orientations for the country. We also have a Trade Union Trust Fund which gets grants from government, but which is run by the trade union movement for the training of trade unions, because we believe that the trade union movement should be a movement to fight for better conditions of workers, but it should also be a partner in the development of the country.

Also we have remuneration orders, which is legislation which governs every economic sector of the country, for the private sector, not for the government, for the private sector, where the conditions of work, wages, minimum wages are laid down; overtime work is controlled; holidays, meal allowance and clothing allowance, every-thing is in the law, and we have a very strong labor department which ensures that the law is respected. We also have a labor court which deals expeditiously with matters concerning violations of labor laws. The irony of it all is that today we are being told that if you want to progress further on the part of economic development and to go more into the global system, we need to have more flexibility in our labor situation. Thank you.

Mr. RANGEL. Thank you. Mr. Nzibo.

Ambassador NZIBO. Honorable Mr. Rangel, let me first acknowledge your leadership as a champion for the common man, and your interest in the plight of the common person in Africa. As you know, Kenya has had a very strong tradition of trade unions. In fact, before we were allowed to form political parties, we were allowed to form trade unions. We have had several in the country. Changes that we have gone through have brought in a democratically elected government, a peacefully elected government.

Kibaki was elected overwhelmingly on the hope for change, and part of it was to bring change for the thousands of employees in industry and the private sector. We had a problem with the export processing zones where workers were not allowed, but people worked very hard 2 years ago to allow that change, to allow workers to form trade unions, to join trade unions, and we have a very strong textile trade union which has worked in all of the sectors. So we do not have labor problems in Kenya. The non-governmental organizations community also has been a very strong watchdog in terms of the rights of the workers. The workers themselves are fighting very hard for their rights. We have a very skilled labor force, well-educated labor force, and they are free to form and join any union. Thank you.

Mr. RANGEL. Last, do you know of mandatory 7-day-a-week work in your countries in certain factories, where the workers have to work 7 days, 9, 10, 11 hours a day? Do you know of any circumstances where employees are forced to work 7 days a week?

Ambassador NZIBO. No, sir. The only thing I know is that the workers are free to accept overtime.

Mr. RANGEL. Thank you, Mr. Chairman.

Chairman CRANE. Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman; and thank you, gentlemen, for being with us today. It is a great honor to be an original cosponsor of AGOA III. Ambassador Nzibo, you articulated something to me I have heard in testimony on AGOA, and that is your comments that by empowering our women, you empowered our continent, and that is a very important perspective. I liked hearing that, and I like the fact that you are focused on that. I think that is very important.

I have a couple of questions. I would like to focus on the fact that AGOA III does not make the third-nation fabric benefit retroactive. I would like to hear each of you state what the pros and cons of making this benefit retroactive are, particularly if we are not able to get this trade agreement passed before September 30 of this year. Could you go over some of the pluses and minus for us, please? Minister Malie, would you like to start?

Mr. MALIE. Thanks. Thank you very much. I think our most important thing is to send out the right signals to the buyers. We already are experiencing a lot of problems because of the uncertainty of the extension of the third-country public sourcing arrangement. As I indicated, we have cancelations and orders that have been put in abeyance to the tune of $40 million, which affects about 23 factories and about 37,000 jobs in those factories. What the major program is currently is the bias. There is that fear from the part that if we go ahead and there is no retroactive clause to this or the—there is no extension, what is going to happen to those orders that we are going to be placing and are going to be arriving in the United States after September 30?

So, I think the major issue is sending out the right signals to the American buyers. The bill—they are hanging on the bill becoming law before September, in fact, before August, because, by then, some of these orders would have been shifted on to Asian manufacturers. So, really, for us, there is a great urgency to see that the bill comes into law by—circumstances allowing—by the end of June. That would assist in alleviating the problems that are there on the ground. The buyers are highly sensitive to the process.

Mr. CUTTAREE. As you know, I am the Minister of Foreign Affairs and International Trade of Mauritius. We don't benefit from the third country—third-country fabric provision. Nevertheless, I think it is an important issue you raise because the whole question is the psychology of the buyer. When a buyer is trying to place an order, he wants to know, at the end of the day, what is the price he is going to pay. If he doesn't know that the third country fabric is going to be renewed and that he is going to be able to buy duty free, it will be difficult for him to decide to place an order.

Theoretically, the proposal concerning the retroactive effect can help. I don't live in the United States, but I understand that the legislative process in the United States is very complicated. There is no certainty, although there can be lots of support for a measure, but there is no certainty until that measure is passed. If I were a buyer, I wouldn't bank on the retroactive effect actually being voted. In a situation like that, the orders might go elsewhere.

Ambassador NZIBO. I would like to echo the sentiment of my honorable ministers here. As you are aware, one of the problems for AGOA has been capacity building—lack of funding particularly, Ambassador Zoellick and his able staff—for giving women the opportunity for training, the capacity. As you know, many of us depend on third-country fabrics. We don't have that capacity yet. If this acceleration bill is not passed by then, it will mean rolling back all the positive effects of what AGOA has done for many countries. My opinion, it should be in fact passed immediately to enable the good work that the United States has enabled Africa to do to continue, especially in empowering our people and opening up democratic change.

Ms. DUNN. Thank you. Mr. Chairman, I certainly would urge that we put our shoulders to the wheel and together, with your strong sponsorship and the championship of Mr. Rangel and others on this Committee, that we get this important trade agreement passed as soon as possible.

Chairman CRANE. I couldn't agree with you more. Mr. Jefferson.

Mr. JEFFERSON. Thank you, Mr. Chairman. Honorable ministers, your Excellency, Mr. Ambassador, you have been wonder-fully brilliant and articulate to advocate for the extension of AGOA and for the good work that AGOA has already accomplished in your countries. So, thank you very much for your testimony.

I notice that under the experience we have had so far, a great deal of the AGOA exports have been in energy and energy-related areas and the rest after that has been in the apparel industry. If you look at what is allowed in, footwear, luggage, watches, electronic products, very important products, my question is if this bill is extended—and I believe it will be—what do you see as what we need to do to get Africa engaged in bringing in some of these other highly favorable products in the marketplace? Mr. Malie or whomever?

Mr. MALIE. Thank you very much, Congressman Jefferson. I think in the case of Lesotho, because of the lack of supplies on the ground and issues of supply chains, what we decided to focus on is deliberately and consciously on textiles, because of the nature of their being labor intensive, and creation. The volumes that we are able to create in terms of employment on the ground are fairly substantial.

We have an unemployment rate of 45 percent within the country, and we had to target an area and put our efforts in an area where we think we would be able to reap benefits and get results out of. What we are also doing, we are trying to diversify on the ground. One area we think we should be—through the extensions, both the third country fabric sourcing and also extension of AGOA—be on 2008 is to move into the area of agriculture and develop AGOA industries within the country. We had been exporting asparagus to Europe and canned peaches and beans within the region. We would like to go out and stabilize that area.

Another area that we have been doing fairly well recently is in electronics. We have a factory that has opened up in television manufacturing, but we are selling those within the region, within South Africa. I think we would like to take full advantage of the extensions and try and make sure that in terms of agriculture and in terms of electronics, we explore the U.S. market as well and that capacity building within AGOA.

Mr. CUTTAREE. I think there are two issues which are responsible for the situation we find ourselves in in Africa. First of all, direct foreign investment and the level of skills, and the two are interlinked. If you look at the stabilization of my own country, in the late seventies, when the tensions started to come within earshot—China, Hong Kong, Taiwan—and at the same time, when the Hong Kong companies couldn't get further market access in Europe and in the United States because of the General Agreement on Tariffs and Trade system, these people came to Mauritius because of the stability we had. There was also lots of labor available at cheap rates and labor which was educated.

These people that came in, they brought in their market and their know-how, and they used people there. Gradually, the local Mauritians, the local people in the industry who had funds available, they invested in the textile sector and ultimately tourism sector. In Mauritius, we generated our own investment funds from the proceeds of the industry. Now today, if you want to go into some other area, it is very difficult for an entrepreneur from one of our countries to understand the markets like the United States. So, if it is a foreign investor who comes, he comes with the knowledge of markets, which is extremely important. He also knows about the technology. He comes with that and uses the people and the resources available.

Unfortunately, the problem of that certification of production in Africa today is due to a large extent to the fact that there is no investment going into production of goods in Africa today. As you know, if you look at the figures, most of the investment going into Africa is going in constructive industries. This is why, under AGOA, we have been trying to get more investment coming from the United States into our continent.

Ambassador NZIBO. Congressman Jefferson, let me first acknowledge your leadership in bringing investments to Africa. Last 4 years I have been here, we have interacted with you, and I know the good work you are doing. What Africa needs is American investments for us to diversify. The AGOA has given us that opportunity, but we see a lack of American investments. I know Colin Powell says, "capital-shy." Where we are creating all the conducive conditions to attract American investments, the rate of returns on investments in Africa is very high. Many of our countries are very heavily dependent on agriculture, including Kenya.

Unfortunately, our markets are European. We have not been able to penetrate this market because of lack of good communications, direct links between the United States and Africa. I know you are working in this area, but we need to do more of that. We have very good horticultural products covered by AGOA, flowers and all that. We would like to see whatever is provided in AGOA that Africa takes advantage. The biggest problem really has been the capacity, especially to meet the conditions, the high standards of the United States, I am happy that Africa is receiving that technical support and ask for more.

Mr. CRANE. Well, let me express my appreciation to all of you for your presence here today and your testimony, and ask you if you will, to please consider, depending upon the time permitted to you, to communicate to other colleagues, Members of Congress, the importance of this legislation. We look forward to getting this bill passed as quickly as possible. I thank you for your presence here today. Mr. Rangel?

Mr. RANGEL. Thank you. It would be helpful if you could ask your embassies to forward to us any literature you have as to the working conditions and the opportunity for people to have free association, because that is the biggest obstacle that we have to overcome, how you treat your workers, okay. Thank you.

Mr. CRANE. Thank you so much. Now I would like to call our next panel Lucy Soares-Demelo, Jeff Streader, Jill Kiley, Stephen Hayes, Reverend David Beckmann, Robert Kirk and Mark Levinson. If our witnesses will please come forward and take their seats. If you will proceed in the order that you took your seats and in your prepared statements. If you will try and keep them to 5 minutes, we would appreciate that. Any more remarks you have in printed form will be made a part of the permanent record. With that, then, we start out with Ms. Soares-Demelo.

STATEMENT OF LUCY SOARES-DEMELO, SENIOR MARKETING DIRECTOR, MAST INDUSTRIES, INC., COLUMBUS, OHIO, ON BEHALF OF LIMITED BRANDS AND NATIONAL RETAIL FEDERATION

Ms. SOARES-DEMELO. Chairman Crane, Mr. Rangel, Mr. Jefferson, I am honored to be in the presence of you, the three Founding Fathers of AGOA. My name is Lucy Soares-Demelo, and I am Senior Marketing Director for Mast Industries. I am here to testify in strong support of H.R. 4103 on behalf of Limited Brands and our trade association, the National Retail Federation (NRF). As an African-born naturalized American citizen, I am proud that Limited Brands, Mast Industries and the NRF played a leading role in the effort to pass the first AGOA. We had the opportunity to host Chairman Thomas, Mr. McDermott and his delegation last year in South Africa, and we showed them a few of the hundreds of new factories built from the ground up, in some cases, where fiber is grown by local farmers went in one end and come out as high-quality finished garments for the U.S. market on the other end. So, literally, we went from ground to a garment. As we showed you, this particular factory would literally never have existed without AGOA, without the efforts of all of you. The AGOA opportunities in garment manufacturing have literally put food on the table for hundreds of thousands of poor Africans.

As you know, with all of the success we have seen, AGOA is in big trouble. Many African producers will not survive without this bill. It is that simple. Many U.S. retailers are canceling orders right now because the incentives that drove U.S. customers to Africa may soon vanish. The AGOA has met billions of dollars in new orders, thousands of new jobs and far-reaching investment and training. America has created what I would argue is the most effective, efficient assistance program ever extended by the United States to Africa. As a working mother, I see that one of the most compelling lessons learned from the AGOA experience is that the development of the garment industry in Africa has disproportionately benefited women and the children that depend on their wages for their very survival.

I want to say something on what I think is the biggest disappointment related to AGOA. Unfortunately, unelected officials in U.S. Customs Service's Office of Regulations and Rulings (ORR) took away many of the benefits Congress intended to grant Africa. Here is one example. This man's jacket, made in South Africa in a factory in downtown Johannesburg where almost all the workers were hardworking Zulu women, we developed sophisticated African fabric to compete with Asian producers, in other words, moving business from a rich country, in this case Korea, to a black, South African neighborhood devastated by AIDS where the unemployment rates approached 50 percent. This required a certain type of lining not available in Africa at the time, but we found an American supplier in Fall River, Massachusetts, called Duro. Africa wins and America wins, right? Wrong. Customs decided both should lose. Isn't a win-win what the Committee on Ways and Means wanted? Well, not according to ORR. They said no. This wasn't an AGOA qualifying garment because they read the bill to restrict the use of African and U.S. fabrics together in a garment. That order, this order went back to Asia. What a shame.

Does this make sense to any Member here? Another reason why we need this bill now, my plea to this Committee, is that as you fine tune this legislation, you remove any ambiguity in the language of the bill that would allow the situation like this to happen again. In other words, specifying explicitly that all apparel products would be eligible for trade preferences except those products specifically excluded by the legislation. Finally, we think that it is vital that H.R. 4103 restore retroactively and refund any duty in cases where benefits were taken away by Customs' interpretations or a time lapse if this bill isn't passed soon. Companies that lost millions because they believed the Committee on Ways and Means interpretation of the bill when they placed orders in Africa shouldn't suffer because unelected officials decided to change Congress' intent. Now this Committee has the opportunity to continue that work, to do good by being good, to right a historic wrong, to make a difference in the poorest African countries. This is a rare chance to make an immediate and positive difference sitting here in Washington. Let's not let this moment pass. American retailers and our company pledge to work tirelessly with you to enact this bill as soon as possible.

[The prepared statement of Ms. Soares-Demelo follows:]

Statement of Lucy Soares-Demelo, Senior Marketing Director, Mast Industries, Inc., Columbus, Ohio

Mr. Chairman, Members of the Committee, thank you for the opportunity to appear before the Trade Subcommittee to discuss the AGOA Acceleration Act of 2004.

My name is Lucy Soares-DeMelo. I am Senior Marketing Director for MAST Industries, a global contract manufacturing division of Limited Brands. I am here to testify in strong support of H.R. 4103—the "AGOA Acceleration Act of 2004"—on behalf of Limited Brands and our trade association, The National Retail Federation.

First, let me congratulate you Mr. Chairman, Mr. Rangel, Mr. Levin and Chairman Thomas for your collective leadership in crafting this bipartisan legislation. We also pay special tribute to the original AGOA sponsor, Mr. McDermott—and also to Mr. Jefferson, who has always worked hard to advance the cause of African trade. I know that this AGOA 3 bill is a bipartisan effort, much like AGOA 1 and AGOA 2 that went before it. It is wonderful to see that when it comes to helping the poorest people in Africa through trade, there is no Democrat or Republican position; there is only an *American* position. Congratulations to the Ways and Means Committee.

As an African-born naturalized American citizen, I am proud that Limited Brands, MAST Industries, and the National Retail Federation played a leading role in the effort to pass the first Africa Growth and Opportunity Act (AGOA). MAST Industries testified before this Committee on AGOA on February 3, 1999. Other American retailers such as our friends at GAP Inc., Liz Claiborne, and many other National Retail Federation members were strong and early supporters of AGOA.

As many of you know, I moved to the region with my family to open MAST operations in Africa—in Cape Town, South Africa; Antananarivo, Madagascar; and Port Louis, Mauritius. Until recently, I had been working in Africa, helping African producers take advantage of the trade opportunities that Congress created. Hundreds of new factories were built, skills were learned and technology was shared, and indeed, thousands of lives were transformed. AGOA opportunities in garment manufacturing have literally put food on the table for hundreds of thousands of poor Africans.

My only regret is that we couldn't have done AGOA much earlier. But now, one of the key AGOA benefits is expiring. Some U.S. retailers are canceling orders in African factories, because the incentives that drove U.S. customers to Africa may soon vanish. Africa needs more time, not because Africa didn't move fast enough, but because in most cases, the U.S. didn't deliver on its promises in time. Indeed, final AGOA regulations (which would help U.S. retail customers plan orders in

AGOA countries) were held hostage by one Senator (since retired) for nearly one year beyond the original deadline. Customs changed rules several times, creating more uncertainty in the minds of AGOA customers. That uncertainty created hesitation and doubt about doing business in Africa—consequences that greatly undermined the promise of AGOA to the countries in the region. So I would ask the Members of the Committee to look at the extension of certain AGOA benefits not as a grant of new benefits—but as an effort to make good on previous promises to help the poorest countries in Africa.

One thing is certain. Without leadership on Africa trade issues by members of this Committee, MAST Industries and many other retailers would not have a presence in Africa. MAST and Limited Brands didn't have a single order in South Africa, Swaziland, Kenya or Lesotho prior to AGOA's passage in the House. As we pointed out in our earlier testimonies, *incentives matter*. AGOA has meant billions of dollars in new orders, thousands of new jobs, and far-reaching investment and training. By suspending import taxes on clothing produced in the poorest African countries (treatment equivalent to countries like Mexico)—America has created what I would argue is the most effective and efficient assistance program *ever* extended by the United States to Africa.

One of the most compelling lessons learned from the AGOA experience is that the development of the garment industry in Africa has disproportionately benefited *women*—and the children that depend on wages earned by those women for their survival.

But let's remember the predictions of the opponents of AGOA. The emergence of an apparel industry in AGOA countries hasn't cost *a single job* in the United States. The textile lobby and other groups said that Africa would turn into a "transshipment superhighway". Not so. Or that factories would move from Charlotte, North Carolina to Cape Town, South Africa. Wrong. Other groups even said that "bad countries" would benefit most. Wrong again. The biggest winners have been countries that are democracies—with good labor standards for the developing world.

AGOA is a success. And to quote Chairman Thomas, "What the U.S. was doing before wasn't working. AGOA isn't perfect by any means, but in the short time it has been in effect, it has been working. The AGOA Acceleration Act will help it work even better."

And remember those who argued for a "U.S. fabric only" rule of origin? The amount of garments wholly made with U.S. materials in Africa is basically zero, because, as we know, this argument was merely a ploy to undermine the initiative. But one thing is for certain: as African economies grow, those countries purchase U.S.-made high technology and transportation equipment, software, machinery, services, high value agricultural products and many other inputs. Africa and America both win.

As a working mother, like many of my colleagues at Limited Brands, I know that trade with Africa holds special meaning. We are particularly aware of the limited choices facing many women in the poorest countries in Africa. The alternative for them to training and working in a clean, safe factory, earning a decent wage, and receiving access to health care is often working in the fields (with their children) or the rice paddies.

I can tell you from first hand experience that it breaks your heart to see children, with their young mothers, working in the rice paddies in a country like Madagascar. For these young women, a job in a garment factory holds the promise of breaking the cycle of illiteracy, of infant mortality, of malnutrition. A job in a garment factory means that young women have a chance to educate their daughters—the key determining factor in economic empowerment. Most of all, for women, a job really means having a choice—choices previously unavailable to women in that part of the world. The biggest choice is a chance for a better life. AGOA has meant a better life for millions of people—especially women and girls. No wonder groups like OXFAM and Bread for the World support increased trade with the poorest African countries. You can't be pro-Africa without being pro-trade with Africa.

Having worked with so many factories in Malawi, Swaziland, Lesotho and South Africa, where the plague of HIV/AIDS is devastating entire communities, I can share an interesting observation: I've seen first hand that women who can feed their families *do not* make dangerous choices that could end their lives. I find it fascinating how South African women working in garment factories—women whose neighbors suffer rates of infection of nearly *40 percent*—seem relatively free from HIV. Could it be that an important key to preventing HIV/AIDS among young women in Africa is providing them with a source of income to buy food and pay modest tuition and book fees to gain an education? Could it be that factories allow us to reach women through health education that we could not reach before? I think that the answer to both questions is *yes*.

Drugs won't solve the AIDS crisis in Africa. I am convinced that creating jobs and opportunity may be the best way to combat the spread of this horrible killer among women.

I want to say something on what I think is the biggest disappointment related to AGOA. Our elected representatives in Congress and *two* Presidents—one a Republican and one a Democrat—supported expansive trade benefits for the poorest African countries. Unfortunately, unelected officials in the Office of Regulations and Rulings (now housed in the Bureau of Customs and Border Protection in the Department of Homeland Security) took away many of the benefits that Congress intended to grant to Africa.

Allow me to review the record. Notwithstanding strongly-worded correspondence from this Committee, the Office of Regulations and Rulings interpreted AGOA rules in a way that rendered knit-to-shape garments ineligible in 2001 and then later decided that so-called "hybrid" garments (those that were made of African fabric but had U.S.-made linings) also did not qualify for duty-free benefits. In another restrictive move, the Office of Regulations and Rulings ruled that fabric on rolls could not be used for collars and cuffs in polo shirts. In each of these cases, legal experts agreed that the Office of Regulations and Rulings could have gone either way on these interpretations.

The Bureau of Customs and Border Protection Office of Regulations and Rulings had the discretion in all three instances to help Africa or to *hurt* Africa. In all three instances the Office of Regulations and Rulings chose the option that ended up *hurting* the people in the poorest countries in Africa. The only winners from these decisions were the factories in Asia which were able to win back or keep business that otherwise would have been placed in Africa. My estimate is that these and other actions by the Bureau of Customs and Border Protection cost *one billion* dollars in lost orders for African factories over the past several years. What a shame that Congress and the President agreed to help Africa only to have unelected officials defy the intent of Congress and take away benefits. It is shameful and must not be allowed to happen again.

My plea to this Committee is that, as you fine-tune this legislation, you remove *any* ambiguity in the language of the bill that would allow this situation to continue. Indeed, we believe that the bill should clarify that the intent of the legislation is to provide AGOA benefits to "all apparel"—or "all apparel in Chapters 61 and 62". Just as the Committee avoided confusion in the Andean Trade Preference and Drug Eradication Act (ATPDEA) by outlining a so-called "negative list" for product eligibility—we believe a similar approach might be well suited for AGOA. In other words, all apparel products would be eligible for trade preferences except those products specifically excluded by the legislation.

Mark my words, if the language is left unchanged, OR&R will probably create new problems that will cost tens of millions in lost orders in the future. We don't want to be back here asking for Congress to pass an AGOA 4 to correct problems that can be avoided at the outset.

Finally, we think that it is important that H.R. 4103 restore retroactively any benefits taken away by U.S. Customs for duties paid on knit-to-shape goods, polo shirts that were caught up in the collars and cuffs issue, and those products assessed duty because of eligibility issues over hybrid garments. The companies that lost millions because they believed the Ways and Means Committee's interpretation of the bill when they placed orders in Africa shouldn't suffer because unelected officials decided to rewrite the bill or change its intent.

The AGOA apparel industry *is* in trouble. It desperately needs this legislation to survive. With the expiration of the third-country yarn and fabric provision later this year, followed shortly by the end of the global textile and apparel quotas, time is running out.

Our experience in the first AGOA bill applies to this year—to Chairman Thomas and the Republican members, I make this plea: please work with the leadership to *schedule this legislation on the floor*. And to Mr. Rangel, and the Democratic members, I ask you to perform the same magic that you accomplished when you cleared the way for floor consideration of the first AGOA bill. We remember that House Leader Tom Delay was given a piece of paper by Mr. Rangel and others with a list of thirty to forty Democratic members who pledged to vote for the Republican rule on the bill. Mr. Delay knew that the votes would be there—and they were. Without that kind of an effort this time around, this bill doesn't have a chance.

Once again I would like to commend this Committee for not only its current efforts but also its previous accomplishments. I recall the words of a former chair of the Ways and Means Committee—Bill Archer—who set the stage for this remarkable success story when he declared, "We will have an AGOA bill with commercially viable apparel provisions, or we will have no bill at all." Clearly, the apparel provision are the locomotive driving the wonderful success of AGOA, and clearly the highlight of the success story is its impact on women and children. Now, this Committee has the opportunity to continue that work. To do good by being good. To right a historic wrong. To make a difference in the poorest African countries. This is a rare chance to make an immediate and positive difference sitting here in Washington. Let's not let this moment pass. American retailers and our company pledge to work tirelessly with you to enact this bill as soon as possible. The poorest countries in Africa are counting on us. Let's not disappoint them.

Mr. Chairman, thank you again for the opportunity to appear, and for your efforts to advance growth and opportunity in Africa.

Mr. CRANE. Thank you.

Ms. SOARES-DEMELO. The poorest African countries in Africa are counting on us, and let us not disappoint them.

Mr. CRANE. Thank you. Mr. Streader?

STATEMENT OF JEFFREY STREADER, VICE PRESIDENT OF GLOBAL SOURCING, VANITY FAIR CORPORATION, NASHVILLE, TENNESSEE

Mr. STREADER. Mr. Chairman, Mr. Rangel, Mr. Jefferson, my name is Jeffrey Streader. I am the Vice President of Global Sourcing with VF Imagewear, a subsidiary of VF Corporation. I am pleased to be here today to discuss the AGOA Acceleration Act representing VF Corporation. We are the world's largest apparel company. We are a Fortune 300 company. We were founded in 1899 in Reading, Pennsylvania, and today, our headquarters are in Greensboro, North Carolina. We have 52,000 employees worldwide and 17,500 associates here in the United States. Our U.S. locations are 39 administrative and sales offices, 23 distribution centers, 18 factories and 214 retail outlets. Our brand portfolio includes Nautica, the North Face, Lee, Wrangler, VF, Lily of France, Jansport and many others and every channel in distribution.

Our goal is to be the world's most responsive apparel company. Our ambition is to produce apparel with a blended strategy using factories in both the Western Hemisphere and the Eastern Hemisphere. We produce 46 percent of our apparel today in our own factories and 54 percent we source. Production in the VF factories uses predominantly American fabric and will continue to do so. For sourcing, we have developed a comprehensive analytical framework which we use to assess the competitive landscape for the apparel and textile industry. Our strategies, although they are structured, are certain to change after the elimination of quota in 2005, which is less than 5 years after AGOA. Prior to the passage of AGOA, in 2000, we did not source any product in Africa.

Our decision to enter the sub-Saharan market was made after thoroughly assessing the cost benefit for the corporation but also after truly understanding the risk-reward of entering this market. We emerged the very principles of AGOA including the establishment of a market economy while focusing on stable transparent governments that demonstrated efforts to combat corruption with overall stability. Our continuous due diligence has identified over 20 viable companies to engage. Currently, we import branded product for the U.S. market from Mauritius, Madagascar, Kenya, Lethoso, Swaziland, Mozambique and South Africa. The factories have met our international compliance standards, which are the most rigorous standards in the industry. The overseas factories must meet the same standards of our internal factories. In our opinion, since AGOA's initial passage, seven to eight of the AGOA nations have progressed quickly from the embryonic stage to the early export stage. This is when low-wage labor is used for labor-intensive operations with acceptable but unrefined execution.

Uncertainty in the region's long-term viability has led to under-investment and an undeveloped textile industry to augment the region's growth. The development of a large and sophisticated textile industry will only begin if the rules of origin under the AGOA legislation are extended. Otherwise, a vast majority of sub-Saharan companies that depend on low-cost, high-quality yarns and fabrics in Asia will quickly be forced to go out of business. As the largest apparel company in the world, we embrace free trade. We are capable of providing significant steady production opportunities. We prefer to establish and maintain long-term partnerships. This in turn translates to consistent employment opportunities and regional stability.

The VF Corporation is committed to sustaining and even growing our activities in sub-Saharan Africa provided the supply chain model continues to make economic sense for us. Unless H.R. 4103 is passed before the expiration of the current program, we will have no choice but to move out of our African locations. It would be extremely difficult to return if this would occur. Succinctly, sub-Saharan Africa unconditionally needs the extension of AGOA and the LDC's access to third-party fabric to even begin to compete in an environment that will change dramatically in 7 months. Furthermore, we believe this gives the region additional time to attract investment for the textile industry.

[The prepared statement of Mr. Streader follows:]

Statement of Jeff Streader, Vice President of Global Sourcing, VF Corporation, Nashville, Tennessee

Mr. Chairman and distinguished members of the committee,

My name is Jeffery Streader, the Vice President of Global Sourcing with VF Imagewear, a subsidiary of VF Corporation. I am pleased to be here today to discuss the AGOA Acceleration Act of 2004, H.R.4103, representing VF Corporation.

VF Corporation is the world's largest apparel company. VF is a Fortune 300 corporation. Our company was founded in 1899 in Reading, Pennsylvania and our corporate headquarters are currently in Greensboro, North Carolina. We employ over 52,000 associates worldwide with 17,500 employees in the United States. Our U.S. locations include 39 administrative and sales offices, 23 distribution centers, 18 factories and 214 retail outlets.

The VF brand portfolio includes Nautica, The North Face, Lee, Wrangler, Vanity Fair, Lily of France, Jansport and many other brands in virtually every channel of distribution. Our goal is to be the world's most responsive apparel company.

VF's ambition has been to produce our apparel with a blended strategy using factories in both the Western Hemisphere and also the Eastern Hemisphere. VF Corporation produces 46% of our apparel in our owned factories and 54% is outsourced. Production in the VF factories predominantly uses American fabric.

For outsourcing, we have developed a comprehensive analytical framework to assess the competitive landscape of the apparel and textile industry worldwide. Our corporate sourcing strategies are structured, but are certain to change after the elimination of quota in 2005. This is less than five years after the passage of AGOA.

One tenth of the world's population lives in sub-Saharan Africa and this region has the highest population growth rate in the world. With a GNI of under $500 U.S. annually, this is a region full of challenges. Prior to the passage of AGOA in 2000, VF Corporation did not source any apparel in Africa. VF's decision to enter the sub-Saharan market was made after thoroughly assessing the cost/benefit for the corporation, but only after truly understanding the risk and reward of entering this market. We embraced the very principles of AGOA, including establishment of a market economy, while focusing on stable, transparent governments, ones that demonstrated efforts to combat corruption and with overall stability.

Our continuous due diligence has identified over twenty viable companies to engage. Currently, VF Corporation imports branded apparel for the U.S. market from Mauritius, Madagascar, Kenya, Lethoso, Swaziland, Mozambique and South Africa. These factories have met our International compliance standards. In spite of this, the aggregated volume is less than 1% of VF's overall production.

In our opinion, since AGOA's initial passage, seven to eight of the AGOA nations have progressed quickly from the embryonic stage to the early export stage. This is when low wage labor is used for labor intensive operations with acceptable but unrefined execution. Uncertainty in the region's long term viability has lead to under investment and an undeveloped textile industry to augment the region's growth.

The development of large and sophisticated textile and apparel producers will only begin if the "rules of origin" AGOA legislation are extended. Otherwise, a vast majority of sub-Saharan companies that depend on low cost, high quality yarns and fabric from Asia will quickly be forced to go out of business.

As the largest apparel company in the world, VF Corporation embraces free trade. We are capable of providing significant, steady production opportunities. We prefer to establish and maintain long term partnerships. This, in turn, translates to consistent employment opportunities and regional stability. VF Corporation is committed to sustaining and even growing our activities in sub-Saharan Africa, providing the supply chain model continues to make economic sense for our American company.

Unless H.R. 4103 is passed before the expiration of the current program, we will have no choice but to move out of our African locations. Additionally, it will be extremely difficult to return if this would occur. Succinctly, Sub-Saharan Africa unconditionally needs the extension of AGOA and the LDC's access to 3rd party fabric to even begin to compete in an environment that will change dramatically in seven months. Furthermore, this gives the region additional time to attract investment in the local yarn and textile industry to sustain long term competitiveness.

Mr. CRANE. Thank you, Mr. Streader. Ms. Kiley?

STATEMENT OF JILL KILEY, IMPORT COMPLIANCE MANAGER FOR DUTY PREFERENCE PROGRAMS, GAP, INC., SAN FRANCISCO, CALIFORNIA

Ms. KILEY. Good afternoon, Chairman Crane, Ranking Member Rangel and other Members of the Committee on Ways and Means. My name is Jill Kiley. I am the Import Compliance Manager for Duty Preference Programs for Gap, Inc. Gap is a leading international specialty retailer offering clothing accessories and personal care for men, women, children and infants under the Gap, Banana Republic and Old Navy brand name. Fiscal 2003 sales were $15.9 billion. As of April 3, 2004, we operated 3,022 stores in the United States, United Kingdom, Canada, France, Japan and Germany.

I appreciate the opportunity to testify before you on this very important matter. Gap has been pleased to support the AGOA and contribute to the economic development in sub-Saharan Africa. This is an incredibly important region for us, and we are thrilled to have been one of the first retailers in this region. We have been there since 1996, prior to AGOA's inception in October of 2000. Unfortunately, restrictive interpretation of AGOA rules and potential expiration of benefits has hampered our and our other retailers' ability to fully source from sub-Saharan Africa. Further business growth will also continue to be threatened in this fragile region if action is not taken.

First and foremost, the third-country fabric benefit for LDCs must be extended immediately. Without that, further investment in the region will be extremely difficult. Gap has already begun forecasting for our holiday and back-to-school seasons. These are the bread-and-butter seasons for the industry. Uncertainty regarding duty and profit margins due to the delay in action on AGOA III extension coupled with long transit times from the region will force orders to Asia or other non-African sourcing regions. In the time since AGOA became effective, the raw materials infrastructure in the region has not developed sufficiently enough to support maximum AGOA eligible garment production. We would gladly leverage more duty-free opportunities if the capacity and quality of local textiles warranted it. While we understand the argument for phasing out third-country fabric benefits to more fully encourage investment in the fabric and yarn industries, we need much more time at this point. The regional textile capacity has not proven to be adequate yet. It would be a shame for all the investment that has gone into the region thus far be for nothing if the textile industry does not have enough time to get off the ground.

Secondly, interpretation of the flat knit collars and cuffs components or other flat knit components has been incredibly burdensome and rather unfortunate. It was never envisioned by apparel manufacturers, retailers and even the origin governments that these types of materials would be considered as components by U.S. Customs and not as materials for eligibility purposes. Production in the LDC for garments made with these components, these flat knit materials, was done in good faith as AGOA eligible garments. We would ask that you also make this provision retroactive to the effective date, again based on our original understanding in the spirit of the agreement that—in terms of trade liberalizing production.

Thirdly, the application of the foreign findings and trimmings limit to LDC garments, which are permitted to use foreign fabrics, has been another issue for Gap. With the current limit of 25 percent of the total cost of components, a number of items are being excluded from AGOA eligibility. Unfortunately, Customs has interpreted certain language in the original AGOA to restrict benefits by applying this trim limit to apparel that otherwise is permitted to use foreign fabrics. It has cost us duty-free benefits on numerous styles, particularly on certain toddler styles that have a disproportionate cost of foreign heat transfers and screen prints to body fabric. We would suggest that the bill move to a provision that is a term that is known as major parts as opposed to even going through the suggestion of short supply findings and trimmings. We would rather see the concept of major parts adopted, which would be much more trade liberalizing.

Fourth and the latest issue has been composite goods. This would be garments that are otherwise AGOA eligible but have a foreign textile component such as a belt. These are very complex situations, and it is almost enough to just move those styles out of the region rather than go through the time and trouble to determine case-by-case eligibility. Last, I would like to say, we are also in the Greater Developed Countries. The extension of overall benefits to 2015 is also important to sustain economic development throughout the continent. We do not just rely on production in the lesser-developed countries, and we do encourage extension of benefits for the entire SSA. Finally, I would just like to say again that I appreciate the opportunity to testify before you, and I am happy to take any questions.

[The prepared statement of Ms. Kiley follows:]

Statement of Jill Kiley, Import Compliance Manager, GAP, Inc., San Francisco, California

Good afternoon Chairman Thomas, Ranking Member Rangel and the other members of the Ways & Means Committee. My name is Jill Kiley and I am the Import Compliance Manager for duty preference programs for Gap Inc.

Gap Inc. is a leading international specialty retailer offering clothing, accessories and personal care products for men, women, children and babies under the Gap, Banana Republic and Old Navy brand names. Fiscal 2003 sales were $15.9 billion. As of April 3, 2004, Gap Inc. operated 3,022 stores in the United States, the United Kingdom, Canada, France, Japan and Germany.

I appreciate the opportunity to testify before you on this very important matter. Gap Inc has been pleased to support the African Growth and Opportunity Act (AGOA) and contribute to the economic development in Sub-Saharan Africa (SSA). This is an incredibly important region for us in our sourcing efforts and we are thrilled to have been one of the first retailers in this region prior to the inception of AGOA in October 2000.

As you are well aware, there have been some hurdles with the interpretation of AGOA. Gap Inc. takes every precaution in complying with trade agreements across the globe. We have five positions dedicated to this very specific task and Customs and Border Protection has given Gap Inc. a low-risk importer approval rating—the highest achievable by an importer. This is a standard we remain committed to maintaining.

Unfortunately, however, restrictive interpretation of AGOA rules and potential expiration of benefits has hampered our and other retailers' ability to fully source from Sub-Saharan Africa. Further business growth will also continue to be threatened in this fragile region if action is not taken.

I will focus my comments today on five specific problem areas in AGOA and some suggested clarifications. Gap Inc. remains committed to sourcing from this region but resolution of these problems will greatly enhance our ability to continue to do so. I am happy to provide further examples and information to you upon request.

Under current law, the Least Developed Countries (LDCs) duty-free provision, allowing for garments to be cut and sewn in African LDCs from third country or foreign origin fabrics and yarns, will expire on September 30, 2004.

This third country fabric benefit for Least Developed Countries must be extended immediately—without that further investment in the region will be extremely difficult. Gap Inc. has already begun forecasting our orders for the back to school and holiday shopping seasons—the bread and butter seasons for our industry. Uncertainty regarding duty and profit margins due to the delay in action on the AGOA III extension coupled with long transit times from Africa will force orders to Asia or other non-African sourcing regions. The longer the clock ticks on AGOA III action, the more the region will suffer a lack of orders. Time is of the essence.

In the time since AGOA became effective, the raw materials infrastructure in the region has not developed sufficiently enough to support maximum AGOA-eligible garment production. In other words, we would gladly leverage more duty-free opportunities for basic styles and perhaps eventually higher-valued tailored garments if the capacity and quality of local textiles warrants it. While we understand the argument for phasing out third country fabric benefits to more fully encourage investment in the fabric and yarn industries in the region, additional time is needed for the regional textile capacity to be proven adequate. It would be a shame for all the investment that has gone into the region to be for naught because the industry there did not have enough time to get off the ground.

Secondly, the interpretation of flat knit collars/cuffs components has been incredibly burdensome. It was never envisioned by apparel retailers, manufacturers, or even the origin governments that flat knit materials would be considered as components by U.S. Customs rather than fabric for AGOA eligibility purposes. Production of Least Developed Country garments made with foreign flat-knit materials was done in good faith as AGOA-qualifying and it hurts all concerned to pay for a restrictive interpretation applied retroactively by Customs.

As a result of this interpretation, Gap Inc. was forced to remove production of one of our staple items—the pique polo shirt—out of the region. Not because we were unhappy with the region's cut-and-sew quality, but because Customs took a much more conservative than intended approach to their treatment of the garment. We are pleased to see language to remedy this problem is included in the AGOA legislation. Extending this provision retroactively to the effective date of the original AGOA would also be appropriate.

Thirdly, the application of the foreign findings and trimmings limits to Least Developed Country garments using foreign fabrics has been another issue for us. With the current limit of 25% of the total cost of components, a number of items are being excluded from AGOA eligibility. Unfortunately, Customs has interpreted certain confusing language in the original AGOA to restrict benefits by applying the foreign trim limit to apparel that otherwise is permitted to use all foreign fabric. It has cost Gap the AGOA duty-free benefits on numerous styles, particularly infant and toddler garments that have a disproportionate cost of foreign heat transfers and screen prints to the body fabric.

The fourth—and most recent issue—is composite goods. Specifically, Customs has ruled that AGOA garments such as pants that include a foreign textile belt are not eligible for duty-free benefits. Each situation must be looked at case by case, which is complex enough to simply move the entire garment production out of the region, rather than risk an unfavorable eligibility determination or further impede speed to market. The retail reality is that fashion and our drive for competitive distinction may dictate certain accessories be sold with apparel. These trends which incorporate otherwise low-value items, such as foreign belts, should not affect the duty free eligibility of the garment itself, otherwise again orders will be forced out of the SSA region.

Lastly the overall extension of duty-free benefits to 2015 for qualifying apparel cut and sewn in the SSA is necessary to sustain economic development throughout the region including the Greater Developed Countries. Gap has mindfully placed production programs in GDCs such as Mauritius and South Africa when feasible based on regional fabric availability. We have not relied solely on the relatively simpler rules and benefits of LDC third-country fabric production. Especially in light of quota elimination for WTO countries in 2005, a duty-free competitive advantage for the SSA is necessary well beyond the original AGOA benefits expiration of 2008.

Even with the expiration of the quota system in 2005, Gap Inc. remains committed to our diversified sourcing strategy that includes Sub-Saharan Africa. However, the U.S. Congress needs to address the issues outlined in my testimony to ensure the long-term economic success of the region and its garment industry. Already, 50,000 jobs in Lesotho alone (according to in-country sources) have been created and there is the potential for more—provided the region is given the tools to succeed.

On behalf of Gap Inc, I greatly appreciate the opportunity to testify before you on this very important matter and I look forward to answering any questions you may have. Thank you.

Mr. CRANE. Thank you Ms. Kiley. Mr. Hayes?

STATEMENT OF STEPHEN HAYES, PRESIDENT, CORPORATE COUNCIL ON AFRICA

Mr. HAYES. Thank you, Chairman Crane, Congressman Rangel and Congressman Jefferson. It is an honor to represent the Corporate Council on Africa. We represent 205 corporations which collectively represent about 85 percent of all U.S. private, direct investment in Africa. The AGOA presently serves as the cornerstone of U.S.-Africa trade policy and is a major part of our overall policy toward Africa. For us, AGOA is not simply about trade or even export-led growth in Africa. Its goals are more profound, which affect most of our investors. The AGOA is an investment in the future of Africa's markets and, by extension, the U.S. economy.

Today, the population of sub-Saharan Africa is 635 million, twice that of the United States, yet any economic activity is equal to the

State of Michigan in any given year. Africans cannot buy if they cannot sell. The AGOA also encourages countries to uphold the rule of law, govern properly and thereby create the necessity and necessary conditions for economic growth. For us, AGOA serves as a prime incentive to countries by offering trade privileges to those who exhibit improving governance, transparency, rule of law and respect for rights. These conditions help all of our companies. In that respect, participation in AGOA encourages countries to establish the conditions for real economic growth, and as they do, provide an avenue for the economic growth to access the U.S. marketplace.

Cohesive policy is essential, and I applaud Congress and the Administration for the work it has done in tandem with AGOA to expand some of our aid budgets and demonstrate its faith in private-sector-led development. The birth of the Millennium Challenge Corporations is especially welcome with a pro-growth mandate and further incentives to countries to govern prudently. Encouraging African countries to implement sound macroeconomic policies, including good governance and the rule of law, significantly benefits the United States. As African income grows, the purchase of U.S. goods and services will lead to jobs in our market as well. Despite the success and the promise, 3 years is not enough, however, to judge AGOA's full worth and the benefit to countries of Africa. I do not believe it is prudent to judge any trade policy that involves more than three dozen countries that are home to hundreds of millions of people, speaking thousands of languages and possessing such diverse levels of economic development. The AGOA still has impacted too few sectors, and it needs more time.

Steps must be taken to ensure that AGOA's promise is realized by reaching into those sectors that already employ so many Africans. Here, I call your attention specifically to agriculture. We continue to keep our markets shut to agricultural goods or undercut African farmers with our own large subsidies. Africa's comparative advantage is in agriculture, a sector that employs 70 percent of Africa's entire population. Africans already buy large quantities of our best goods, software, entertainment, services and, yes, our agriculture, to name a few. It is time that we start buying their best. We need to allow Africans to trade with what they already produce in abundance. Full economic benefits must reach all the population and not simply the elites. Opening our markets to agriculture reinforces stability. Most discourse about AGOA focuses on textiles, and the results are encouraging. However, the global consumer is increasingly ready to experience Africa's harvest of flowers, unique fruits and vegetables, seafood, exotic spices and much more. If AGOA fails to make a real difference by ignoring the full sectors, such as agriculture, then our stated goal to help extricate Africans from poverty through this legislation will not be met. As long as Africans remain mired in poverty, they cannot afford American goods and services. If this happens, not only will AGOA have failed Africa, it will have failed the United States.

We all recognize that building an economic foundation takes time. United States policy must be enacted with long-term vision, wisdom and hope. Short-term economic policies do not reflect confidence in our vision nor do they give hope to Africa. We should therefore continue this program and couple it with other incentives and viable opportunities for Africa. We support the expansion of the LDC Apparel Benefit. Second, we recognize that AGOA is underutilized, at least partially because exporting to the United States is an arduous process. We advocate greater technical assistance. To sum up, AGOA helps us sow the seeds of a new market for American goods. It benefits Africans by creating jobs and stability and encourages governments to move from opacity to transparency, from lackluster legal systems to states that uphold the rule of law. Thank you, Mr. Chairman.

[The prepared statement of Mr. Hayes follows:]

Statement of Stephen Hayes, President, Corporate Council on Africa

When President Clinton signed the African Growth and Opportunity Act in 2000, it was a hopeful beginning for resurgence in U.S.-Africa commercial relations. President Bush supports the continuation of AGOA and hails its success. In January 2003 the President said "From Mauritius to Mali, AGOA is helping to reform old economies, creating new incentives for good governance, and offering new hope for millions of Africans." Indeed, AGOA creates hope but its full potential has not been realized, and work remains. For that to happen, Congress must pass an extension to AGOA this session.

Trade and investment, coupled with sound economic policies, are proven engines of development and growth. South Korea, for example, made the right choices internally, and had support from the outside world. Today South Korea is a world leader in cutting edge sectors including internet technology. Many of Africa's countries may have been slow to make the correct choices, and they also have had relatively little external support. Today, AGOA is a sensible U.S. policy for Africa, and one that encourages Africans to make the appropriate domestic decisions.

AGOA has been in place for only three full years and in several cases, we have cause to celebrate. Over a dozen AGOA-driven factories have opened in Lesotho—a country slightly smaller than Maryland. In Kenya, direct AGOA related jobs number nearly 30,000. Because of AGOA, South Africa is now the single largest supplier of oranges to the U.S. And because the South Africa harvest occurs during the opposite time to U.S. producers, this does not affect the U.S. orange growers. Beyond the oranges, the South African government estimates that 90,000 jobs have been created as a result of AGOA. In Malawi, democracy and good governance are taking root: there are new political parties, ongoing privatization programs, and a new bill to halt child labor. This is largely the result of AGOA. But these successes are not enough to make a real difference for most Africans.

AGOA is not simply about trade or even export-lead growth in Africa. It is an investment in the future of Africa's markets, and by extension, the U.S. economy. Today the population of sub-Saharan Africa is 635 million—over twice that of the U.S. Yet economic activity remains small. In 2002 the Gross Domestic Product of sub Saharan Africa was $319 billion, smaller than that of the State of Michigan the year before. Africa's underserved population has enormous market potential. There are 635 million consumers, hoping to enjoy American goods and services.

However, Africans cannot buy American goods and services if they cannot afford them. AGOA has begun to spur the needed income generation in Africa, but as history has shown, sustained growth takes time.

U.S. investors should support and act on this opportunity as well. Foreign firms are already profiting with AGOA-driven investments in Africa. It is time that U.S. investors reap the same benefits. Africa is no longer a vacuumfor investment: FDI and Africa's stock markets produce among the highest returns in the world, with declining risk with each passing quarter.

With strong incentives for positive change, AGOA recognizes what recent studies are proving: real economic growth cannot occur without good governance, including the rule of law. Daniel Kaufman and others at the World Bank have proven this correlation. However, they have also found that this is not a virtuous cycle: growth does not necessarily lead to good governance. Thus we cannot simply invest in and trade with Africa and assume that governance will naturally improve as economies grow.

The carrot of AGOA is policy in line with the research: it induces countries to take steps toward needed reform. And as they do, countries are awarded with preferential access to the U.S. market, a proven means for growth. That growth benefits everyone, and not just economically.

Economic growth and the expansion of the rule of law in Africa bolster U.S. security. In today's interconnected world, marginalized individuals can have influence beyond their borders. Stagnant economies and failed states are potential breeding grounds of terror. They are also terrorist havens: it is no coincidence that Al Qaeda has been based in Somalia and Afghanistan, both failed states.

Commerce and further incentives for the rule of law must now build on the base of forward-looking leadership, and reinforce the emerging stability.

Beyond extending the overall program, there are aspects of the proposed legislation that the Corporate Council on Africa believes deserve specific recognition.

First, the least developed country third country apparel benefit must be extended. This provision was initially included in AGOA to help jumpstart the African apparel industry. Most African countries simply did not have fabric making capacity, and that remains the case in many places. However, the industry recognizes that vertical integration is and will be necessary for continued trade with the U.S., and firms are investing to become vertically integrated. For example, in Lesotho, construction has begun on a state-of-the-art denim fabric mill and plans are in place for a yarn spinning plant and knitted fabric mill. But, three years has not proven long enough for most businesses to invest in full integration. Many were hesitant because the AGOA benefits—regardless of where the fabric is from—expire in 2008.

An extension of AGOA should therefore include the correct incentives for firms to further invest in the African textile industry. A sunset date is necessary for the third country fabric benefits to ensure that the industry does not become dependent upon imported inputs, but September of this year is too soon to halt third country fabric use. The proposed extension of the benefit through 2007, coupled with the overall program's extension through 2015 should give businesses ample faith in AGOA and ample time to invest in vertical integration. This is a young industry and therefore we must not act with too heavy a hand.

Second, increased on-the-ground technical assistance is essential to the long-term success of AGOA and the growth of African economies. AGOA is underutilized, at least partially because exporting to the U.S. is an arduous process. Different agencies have jurisdiction in dealing with imports and with increased security needs come increased security regulations and restrictions. For any new trader—especially the smaller businesses—the U.S. market is therefore enticing and intimidating. Traders may or may not have internet access to read the lengthy documentation. Traders may or may not have the funds to pay a customs broker. Traders may or may not speak English. Technical assistance is therefore welcomed and needed. Without it, the web of U.S. rules and regulations will continue to function as a nontariff barrier to entry for African traders.

But technical assistance goes beyond assistance with customs. The U.S. government has mechanisms in place to help investors. The Export-Import Bank of the United States and the Overseas Private Investment Corporation are the most notable examples. For AGOA's success to grow, these agencies need to put more weight behind AGOA. Restrictions on OPIC must be lifted as well, allowing the corporation to work in all viable industries in Africa. These agencies are very effective elsewhere in the world and in many industries; it is time for them to apply more of their talents to Africa.

AGOA benefits Africans by creating jobs and stability. It encourages governments to move from opacity to transparency, from lackluster legal systems to states that uphold the rule of law. It provides hope and real opportunity to Africans.

It also benefits Americans. AGOA helps to sow the seeds of a new market for American goods in Africa. Africans cannot buy what we are selling if they cannot earn a living themselves.Improved African economic viability and trade promotes better international relations, safety and stability.

But AGOA cannot stand as the lone policy aimed at creating growth and opportunity in Africa. I applaud this administration for the work it has done expanding our aid budgets and its faith in private-sector lead development. The birth of the Millennium Challenge Corporation is especially welcome, with a pro-growth mandate, and further incentives for countries to govern prudently. But such progress is overshadowed because we continue to keep our markets shut to agricultural goods or undercut African farmers with large subsidies. Africa's comparative advantage is in agriculture where 70% of Africans earn their living. Africans already import large quantities of our best goods: software, entertainment, and services to name a few. It is time we start importing their best.

AGOA is crucial initiative for Africa and the United States, and one that is beginning to produce. It is also a testament of Congressional hope and belief in Africa. We must reaffirm this message. To do so, we must extend and enhance the legislation and couple it with parallel programs offering incentives and real opportunity for Africans.

Mr. CRANE. Thank you, Mr. Hayes. Now, Reverend Beckmann.

STATEMENT OF REVEREND DAVID BECKMANN, PRESIDENT, BREAD FOR THE WORLD, ON BEHALF OF PARTNERSHIP TO CUT HUNGER AND POVERTY IN AFRICA

Reverend BECKMANN. Thank you, Mr. Chairman, Ranking Member Rangel, Mr. Jefferson. I am David Beckmann. I am President of Bread for the World. This is a national Christian citizens movement against hunger. We organize mainly in churches. We mobilize about a quarter of a million letters to Congress a year on issues that affect poor and hungry people in the United States and around the world. I am also testifying on behalf of the Partnership to Cut Hunger and Poverty in Africa, which is a broad association of organizations in the United States and Africa that care about agriculture and rural development.

I want to say three things. First, Bread for the World and the Partnership to Cut Hunger and Poverty in Africa support the passage of AGOA III. We do so because we think it is important to reducing poverty and hunger in Africa. I think the testimony that you are going to hear from the Union of Needletrades, Textiles and Industrial Employees (UNITE!) is important. I appreciate the field work that they have done, and I appreciate the Committee's oversight and attention to the issue of workers' rights. This could be a more significant part of the annual meetings between U.S. and African officials about AGOA. That said, it is our judgment that AGOA has helped to reduce poverty and hunger in Africa without any significant adverse effect on poor people in this country, and that it ought to be extended. Second point is approving AGOA III is urgent. I just came back from Uganda, Mr. Chairman, and I was struck that Uganda is an example of exactly what this Committee tried to do when you started AGOA. There has been a big surge in Ugandan exports to the United States. There are several factories in Uganda that have come into existence specifically to create textiles to respond to the opportunity of AGOA. I visited one rural area about an hour to the east of Kampala. There are many jobs except for agriculture in the whole district, and there are 1,200 people working in a textile factory that is run by an Indian family that has come from outside to take advantage of AGOA.

The President of Uganda, President Museveni, is fanatical about AGOA. He says it is the best thing that the United States has done for Africa in the whole history of relationships between the United States and Africa. He is talking a lot to other African leaders and to the people of Uganda about doing business with the rest of the world as the only way that Uganda and other African countries can really transform their economies and dramatically reduce poverty over the long-term. From my perspective, it is important that Uganda see trade not as an end in itself, but as a means to the end of poverty reduction. This is a country that has problems, but they have reduced poverty and HIV infection. They have dramatically increased enrollment in primary school. If AGOA III doesn't pass before AGOA II runs out, those textile factories will close. President Museveni's pro-trade policies will be embarrassed, and Uganda's development prospects will be adversely affected. So, passing AGOA III is urgent. I appreciate the fact that you are planning to move it through Congress just as fast as you can.

The third point I want to make about capacity building. The AGOA III could have a lot more impact than AGOA has had so far if there were some money available for capacity building. The AGOA is benefiting a small number of African countries. It could have much broader, much deeper impact in Africa if there were funding available to help countries, help individuals, help businesses take advantage of the opportunities of AGOA. Thank you.

[The prepared statement of Reverend Beckmann follows:]

Statement of Reverend David Beckmann, President, Bread for the World

Mr. Chairman and Members of the House Ways and Means Trade Subcommittee, I thank you for this opportunity to testify before your committee and also for all the support that you, and this Committee, have given to Africa through the years. I represent two institutions, Bread for the World and the Partnership to Cut Hunger and Poverty in Africa, which strongly believe that current trends of hunger and poverty in Africa can be reversed, and progress made towards achieving sustainable development in Africa.[1]

The challenge of improving the lives of nearly 700 million people, half of whom live on less than $1 a day and one-third considered chronically undernourished, is daunting. Africa is the only region in the world where hunger, poverty and disease are pervasive and increasing.

Yet we live at a time when incredible opportunities exist to reverse these trends and greatly improve the lives of poor people in Africa. Many African governments are now embracing democracy, experiencing peaceful power transitions and investing more in uplifting the lives of their people. New democratic ideals and Africa-led initiatives that hold governments accountable, such as the Africa-wide NEPAD initiative, are being put in place and becoming acceptable by countries emerging from years of colonialism and dictatorship. The United States must support these positive efforts and give change a chance.

We see AGOA as profoundly important to Africa. AGOA has laid a good foundation for partnership between the United States and Africa, and helped to transform hundreds of thousands of lives in Africa through creation of gainful employment, stable incomes and better livelihoods.

AGOA Can Help Reduce Hunger and Poverty in Africa

AGOA's enactment in 2000 marked a turning point in U.S.-Africa trade policy. AGOA has become, according to many African leaders, a valuable symbol of partnership for development between the United States and Africa. President Yoweri Museveni of Uganda has been quoted many times saying that what Africa needs is "trade and not just aid" to support its sustainable economic development.

The primary objective of AGOA is to encourage increased trade and investment between the United States and sub-Saharan Africa by reducing trade barriers, expanding U.S. development assistance, negotiating trade agreements, promoting private sector engagement and strengthening democracy. As part of a long-term U.S. strategic engagement, AGOA aims to build capacity and infrastructure in sub-Saharan Africa and expand its participation in the global economy.

Thirty-seven African countries have met the eligibility requirements to export to the United States under AGOA. To become eligible under AGOA, sub-Saharan African countries must show progress in establishing:

1. Good governance, including a mechanism to combat corruption;
2. Market-based economies, including the elimination of barriers to U.S. trade and investment

[1] Bread for the World is a U.S. Christian citizens' movement against hunger. Its nationwide grassroots membership of concerned individuals and churches mobilize a quarter of a million letters to the U.S. Congress each year on issues that are important to hungry people. The Partnership to Cut Hunger and Poverty in Africa is an independent, non-partisan effort to increase the level and effectiveness of U.S. development assistance to Africa's agriculture and rural development.

3. The rule of law and respect for internationally recognized human rights, including workers' rights.

Trade has the potential to help lift African people out of the cycle of hunger and poverty. That potential, however, can only be realized with the establishment of institutions and policies that raise economic productivity and achieve equitable distribution of benefits. We urge the U.S. government to adopt a comprehensive Africa policy, including a strengthened AGOA, increased development assistance (including the promised Millennium Challenge Account), increased emphasis on agriculture and rural development, and a vigorous response to famine and civil conflicts. U.S. policy, including AGOA, should be responsive to the New Partnership for African Development (NePAD), which is Africa's own comprehensive development policy. The highest priority for U.S. and African development policy should be to reduce hunger and poverty.

We regard AGOA as an important part of a comprehensive policy framework within which we can focus our advocacy to insist that the United States support capacity building, technology transfer, market access for African producers and infrastructure investments that will promote measurable reductions in hunger and poverty. The emergence of African nations that are self-reliant, prosperous, peaceful and democratic is not only a matter of the U.S. national interest but also a moral imperative.

Opponents of the legislation say AGOA is fundamentally flawed because it is based on questionable "trickle-down" economic theory and lacks an institutionalized role for civil society. Some opponents still argue that AGOA imposes stringent eligibility requirements in spite of the fact that nearly 80 percent of sub-Saharan African countries have already been granted AGOA eligibility status. Others say that AGOA offers African countries inherently unequal trading relationships with the United States, and parallels the World Trade Organization's (WTO) efforts to secure unlimited access in developing countries for lucrative banking and insurance interests in exchange for limited market access.

Another argument against AGOA is that it provides multinational corporations with unhindered access to African markets, whereas fledgling African companies are not well equipped to take advantage of new opportunities offered by AGOA.

Others note that U.S. non-governmental organizations and the U.S. Congress have been ineffective in implementing mechanisms to monitor AGOA. They also assert that Africa's textile and apparel sector will never survive the onslaught from China, India and other Asian countries after the expiration of the WTO Agreement on Clothing and Textiles (ACT) eliminating worldwide apparel quotas in 2005. Finally, opponents of AGOA argue that without the parallel removal of domestic U.S. agriculture subsidies and other trade distorting practices, AGOA will never be able to unleash the economic potential of the African agriculture sector.

There is some truth in each of these arguments. Nonetheless, on balance, we support AGOA and what it represents for U.S.-Africa relations. We are fully supportive of an AGOA III that will:

1. Increase agricultural productivity and rural development in the region, including increased technical assistance and capacity building.
2. Encourage investments in infrastructure—roads, railways and ports—to facilitate the movement of goods within countries and across borders.
3. Promote increased U.S. investment that is mutually beneficial.
4. Extend the "third country fabric" provision thereby saving tens of thousands of jobs.
5. Facilitate ongoing dialogue between the United States and African governments.
6. Encourage expansion of information and communication technologies.

AGOA has had a positive impact in Africa in a relatively short time, stimulating economic growth and job creation at a time of economic recession in most African countries, and encouraged many countries to adopt policies aimed at ending hunger and poverty. Five countries (Lesotho, Kenya, Namibia, Swaziland and Uganda) have credited AGOA with creating nearly 200,000 jobs. Examples abound, in Uganda, of young women who have become employed for the first time and left endless cycles of hunger and poverty. In Southern Africa, families have been re-united as men find jobs near their spouses and do not have to migrate far looking for jobs, only to come home infected with HIV/AIDS.

AGOA has become a household name in many African countries, touching the lives of many poor people. Many Africans—especially the more than 200,000 employed in AGOA-related industries—see it as a lifeline and opportunity for gainful employment and sustainable incomes. Families that are currently benefiting from

AGOA as farmers growing cotton for these industries or as workers spinning yarn can now send their children to school and afford basic health services.

During the first half of 2003, U.S. imports (including both AGOA and the Generalized System of Preferences) increased by 65 percent to $6.6 billion. This was primarily due to increases in energy-related imports from Nigeria, which totaled $5.4 billion of total imports compared to $3.0 billion in the first half of 2002. AGOA-related imports of African textiles and apparel increased by $148.4 million (40.7 percent) over 2002.

At the moment, Africa accounts for less than 2 percent of global trade and its exports to the United States barely reach 2 percent of the U.S. total imports in value terms. The United States represents the single largest country market for Africa, importing 26 percent of Africa's exports compared to United Kingdom's 10 percent and France's 7 percent. Trade between the United States and Africa totaled $33 billion in 2003, up from $24 billion in 2002, with total African exports to the United States accounting for $26 billion, with $14 billion of them AGOA-related.

After the energy, mining and transport sectors, AGOA's emphasis has been on the textile and apparel sector. Currently 19 countries have sufficient infrastructure to directly benefit from the textiles and apparel provisions of AGOA. For example:

- In Lesotho, thirteen new garment factories opened in 2001 and 6 in 2002, increasing total employment from 29,000 to 45,000.
- In Madagascar, new companies in 2002 brought in $10.6 million in international investment, creating 5,100 jobs.
- In Kenya, AGOA-related textile and apparel businesses now employ about 200,000 people.

Challenges faced by AGOA

AGOA represents a potential that is yet to be fully exploited. Out of the current 37 AGOA-eligible African countries, only about 7 of them have fully benefited from AGOA. The rest of the countries face serious constraints that hinder their effective participation in AGOA. Severe food insecurity caused by low farm productivity and frequent adverse weather, a massive debt totaling over 250 billion and a burden of 70 percent of the world's HIV/AIDS-infected people are straining Africa's limited resources.

The Need to Address Agriculture. So far, most of AGOA benefits have accrued to the energy, mining and transport equipment sectors. But, the most effective way of ending hunger and poverty in the continent is by investing in agriculture and rural development. More than 70 percent of Africa's population lives in rural areas and depend largely on farming.

In Africa, agriculture is a key sector for promoting economic development and reducing hunger and poverty. Most poor people in Africa live in rural areas and depend largely on agriculture, which accounts for 35 percent of sub-Saharan Africa's Gross Domestic Product, 40 percent of its exports and 70 percent of its employment.

Expanding AGOA to include agriculture would have a significant impact on reducing hunger and poverty. The International Food Policy Research Institute (IFPRI) estimates that a 1 percent increase in agricultural productivity would raise the incomes of 6 million African people above $1 per day. A $1 increase in agricultural production generates about $2.32 in economic growth. AGOA must make it easier to export agricultural products to the United States.

Improving agriculture and rural development in Africa has the potential to increase incomes and transform more lives, allowing families to get better nutrition, health and education, and creating more dynamic economies and markets for U.S. exports. Such investments will strengthen local and regional markets, address important food standards and safety concerns, and allow African farmers and traders gain the capacity and skills they need to move food in local and regional markets more efficiently, reducing hunger, famine and poverty.

The Need to Diversify. Most African countries remain dependent on one or two products to carry their entire economy. Unless African countries diversify their economies, they will remain highly vulnerable to severe economic downturns and will be the first countries to suffer in a depressed international economy.

The Need for Further Infrastructure Development. Many African nations lack the basic infrastructure to efficiently move their products to regional or global markets. Roads, water for irrigation, storage facilities and reliable transportation are all needed to strengthen the ability of African farmers and small businesses to market their products.

The Need for Access to Capital. International lending agencies should streamline requirements for access to capital for African countries. Financing is important for infrastructure development, business expansion and operational costs. The U.S.

government should provide tax incentives for U.S. companies to make local capacity building, trade, agriculture and infrastructure investments in Africa.

The Need for Technical Assistance. AGOA should target technical assistance to ease constraints such as poor infrastructure, roads and communication networks, lack of sanitary and phyto-sanitary standards, credit and market information so vital in international trade, and providing incentives for public and private sector investments in agriculture and rural industries. African and U.S. businesses need training to meet the challenges of producing "export-ready" goods.

The Need for Market Expansion and Regional Integration. Efficient large-scale production lowers costs and enhances competitiveness. Regional market integration is necessary to allow a larger market demand for domestic production. Expanding market access and lowering trade barriers for African agricultural products through AGOA will improve not only national economies but also the lives of the poorest people in sub-Saharan Africa.

AGOA Must Be Extended Now

The "third country fabric" provision is due to expire on September 30, 2004. Uncertainty over its extension is already causing cancellation of orders and job losses in many countries in Africa. In Kenya alone, this may result in the loss of 30,000 jobs and $30 to $40 million in lost revenue this year. Congress should act now to extend the "third country fabric" provision by at least 3 years—a minimum period needed to allow Africa to build adequate capacity for fabric and apparel manufacturing.

The President has already signaled approval to extend AGOA beyond 2008, and the Congress should extend the legislation to 2015 as stipulated in the current bills. The approaching deadlines are dampening new investments and placement of new orders. Such extensions are needed in order to provide certainty and encourage businesses to commit their resources for the long-term, enhancing the prospects for new investments.

The longer Congress waits to make this important decision on third-country fabrics, the greater the losses in jobs and investments, which African countries can ill-afford. Moreover, in January 2005, the WTO will lift its textile and apparel quota, exposing Africa's fledgling textile and apparel industry to stiff competition from Asian economies. Extending AGOA would give Africa more time and increase its capacity to strengthen its industry to compete more effectively in the global market.

Recommendations

To strengthen AGOA's impact on hunger and poverty, Bread for the World recommends that AGOA be revised in these ways:

1. Many economic development goals can be achieved within the existing framework of AGOA by increasing appropriations targeted to strengthen the capacity building provisions of the Act. In order to encourage the production, processing and transportation of more and better quality exports, the United States should support AGOA eligible countries in the areas itemized below.
   a. Technical training and capacity building in agricultural production, trade, processing, research and markets especially for institutions serving smallholder farmers, small-scale rural businesses, co-operatives, marketing and transport organizations.
   b. Specialized technical training to increase African capacity to negotiate in the WTO.
   c. Market product and price information gathering, delivery and access to farmers, traders, processors and policy makers.
   d. Creating a comprehensive information database on U.S. and African agribusinesses to serve as a clearinghouse for specific inquiries regarding international trade, laws, contacts and such.
2. Obtaining necessary capital is a major constraint on development. The U.S. government should press the Overseas Private Investment Corporation (OPIC) and the Export-Import Bank to respond to the AGOA policy dialogue and bring significant new resources to help African countries attract more investment capital. In addition, the U.S. government should reduce the risks for commercial bank lending to agribusiness, provide training in market and loan facilities, establish loan guarantee funds, defray supervisory costs and promote an increase in the number of U.S. financial firms doing business in Africa.
3. AGOA should encourage and support African countries in the establishment and enforcement of effective laws, rules and regulations governing international trade and marketing.

4. The U.S. government should establish an AGOA agricultural trade advisory team to facilitate communication between African and American stakeholders. The advisory team would include designees of U.S. and African governments, educational institutions, the private sector, including smallholder producer organizations, and NGO representatives.
5. Consumer preferences in the United States have increased demand for high-quality niche products and value-added products, such as year-round fresh fruits and vegetables, higher value horticulture and floriculture products, organic tea, raw cotton, cottonseed, spices, nuts, processed seafood and folk craft items. The United States should provide technical assistance for eligible countries to identify and access these niche agricultural markets, especially for products from smallholder farmers.
6. The U.S. government should provide tax incentives for U.S. companies to make trade, agriculture and infrastructure investments in Africa.

Most of these changes will take additional financial resources. Moreover, an educated, healthy workforce is integral to successful African economic development. This underscores why increases in development assistance (including the promised Millennium Challenge Account) are necessary for strengthening mutually beneficial trade and investment that will help reduce hunger and poverty in sub-Saharan Africa.

Conclusion

Mr. Chairman, I hope you will move swiftly and resolutely to pass a bipartisan, comprehensive AGOA III.

Mr. CRANE. Thank you. Our next witness is Mr. Kirk.

STATEMENT OF ROBERT KIRK, VICE PRESIDENT, THE SERVICES GROUP, ARLINGTON, VIRGINIA

Mr. KIRK. Thank you, Chairman Crane, Ranking Member Rangel and Congressman Jefferson. My name is Robert Kirk. I am Vice President with the Services Group, which is an economic consulting company. I specialize in international trade work, and I am speaking in a personal capacity. My focus for the intervention is on the special rules of origin for the LDCs. The liberal rule of origin which allows for the use of third-party cloth is in many ways what made AGOA unique. When AGOA was implemented in 2000, this was a breakthrough, not only to include apparel but to allow third-party cloth in contrast to other preferential schemes which have been on the books for many other Organisation for Economic Co-operation and Development countries.

When we look at the achievements over the past 4 years, we look at the trend in trade—and we remove the oil and related products, we look at the textiles and apparel—we see major expansion. The LDCs which have access to the special rule increased their exports of apparel by over 176 percent in the period 1999, just before AGOA, to 2002. That increase has continued. When we look at what has happened with those countries' trade under the Cotonou agreement with Europe or we look at the other qualifying AGOA countries that do not qualify for the special rule, we find that there has been very little difference in trade, very little increase in apparel trade. That to me points out the importance of the liberal rule of origin in expanding exports and promoting investment.

Now we often hear arguments that this is a very narrow and shallow investment that is taking place. These are low-paid jobs. It is true they are low-paid jobs. In the history of economic development, many of the countries that are today more developed started out with these low-paying jobs: Mauritius 30 years ago; many of the Far East Asian countries. It is a foot hold.

It also allows countries to engage in the international economy, and that is what is so positive. The investment that is taking place is sourcing from the most sufficient suppliers in the world. It is allowing the countries to fit into the increasing international division of labor. It is not trying to super impose with special incentives a certain sort of industrial development to take place. So, I would argue that a caution against moving toward adopting stricter rules of origin since this would initially lead to undoubtedly a loss of jobs in the labor intensive manufacturing.

The upstream industry, the textile industry is much more capsule intensive, creates very few jobs. It is true that much remains to be done in African economies to enable them to take a fuller role in the world economy. By bringing in investment, this is creating incentives for positive policy change and difficult regulatory reforms, through actually creating an incentive, through seeing benefits flow through. So, to—I would urge that the success that AGOA has had comes from largely the more liberal rules of origin and would urge that it is very important that the special rule is extended. Thank you, Mr. Chairman.

[The prepared statement of Mr. Kirk follows:]

Statement of Robert Kirk, Vice President, The Services Group, Arlington, Virginia

1. In four years AGOA has emerged as an extremely important and successful Special and Differential Treatment program. AGOA[1] was unique in granting preferences for apparel and allowing for a Special Rule for Lesser Developed Countries that allows the use of third party cloth. AGOA has stimulated an expansion of non traditional exports from Sub Saharan Africa. Excluding oil and related products, which accounted for more than 80 per cent of exports in 2002, the major increases occurred in apparel from five Lesser Developed Countries (Kenya, Lesotho, Madagascar, Malawi and Swaziland), motor vehicles from South Africa and Tobacco from Malawi. The exports of apparel for the Lesser Developed Countries qualified under the Special Rule increased by 176 per cent between 1999 and 2002, while exports of apparel from AGOA beneficiaries without apparel benefits experienced a 30 per cent decline in their exports to the U.S. over the same period. The countries that qualified for the Special Rule have seen their apparel exports grow much faster than countries that cannot source third party cloth.
2. The increase in apparel exports has dominated the 'new' trade under AGOA. The Lesser Developed Countries have used the derogation on the rules of origin to source third party cloth for their apparel products. The same African countries qualify for duty free exports to the EU under the Cotonou Agreement, providing they meet the more stringent rules of origin and source cloth from either the EU or an African, Caribbean or Pacific country. Exports of apparel to the EU have not increased significantly.
3. Rules of Origin specify that certain activities must be sourced in an eligible country in order to qualify for a specific incentive. Where the rule requires an input that is not produced locally it is frequently argued that this will act as an incentive to establish domestic or regional production. This approach is similar to the local content argument for import substituting activities. It is based on an implicit industrial structure that assumes an integrated set of industrial activities. Recent reductions in trade transactions costs have created opportunities for significantly increased specialization of production. The increased fragmentation of trade evidenced by the increased trade in intermediate inputs provides evidence of the economic gains from specialization.

[1] Subsequently Canada implemented an enhanced GSP in 2002 which has a simple minimum local content rule of origin of 40 per cent of ex-factory price for Least Developed Countries for all GSP products.

4. In the Lesser Developed Economies there is currently insufficient supply of the diverse intermediate inputs required by the existing apparel producers to satisfy their demands. It is sometimes argued that a stricter rule of origin would stimulate additional investment to produce the inputs. Others argue that there is already unused capacity which could be reactivated if apparel producers had to source their cloth within either Africa or the U.S. The idea of using rules of origin to create incentives to develop clusters of linked industries appears plausible. However, upon examination it is clear that using rules of origin in this way represents a form of protectionism that will inhibit global competitiveness. The evidence from East Asia and from successful developing economies such as Mauritius indicate that as firms expand substantial external economies of scale will create positive incentives for linkages and increased regional sourcing of inputs. There is already some evidence that this is beginning to develop in some of the Lesser Developed Countries. The capital intensive textile industry will create fewer employment opportunities relative to the more labor intensive apparel sector.
5. Realizing internationally competitive linkages, industrial deepening and labor skill upgrading is achieved best by creating a sound enabling environment and trade policies that permits investors to source their inputs from the most competitive supplier. The shallow production base and the need to improve the business environment would caution against imposing additional market access requirements on Lesser Developed African Economies. Further, the phase out of quotas (under the WTO Agreement on Textiles and Clothing) is expected to result in increased competition in the U.S. market from Asian apparel suppliers. Moving towards more restrictive rules of origin at this juncture would risk imposing higher costs at the same time as African exporters experience increased competition.
6. More restrictive rules of origin will also increase compliance costs as firms have to keep more detailed records to establish the origin of all their major inputs. The administrative costs of complying with a more restrictive rule of origin can be high for small and medium sized firms.
7. For many African economies, with a small industrial base and a relatively recent history of macroeconomic stability, the ability to source intermediate inputs from the most efficient suppliers in the world provides an opportunity for economic growth. Policies which impose additional conditions on the investment will, ceteris paribus, lead to a reduction in investment.
8. AGOA is simply one vehicle for augmenting economic growth and reducing poverty in Africa, in order to sustain and enhance growth it is necessary for the beneficiary countries to address the domestic constraints to investment and trade and to harness sound economic policies to exporting under AGOA.
9. The success of AGOA in stimulating an increase in non traditional exports has augmented economic growth and contributed to reducing poverty. The economies eligible for the flexible rule of origin have realized much higher rates of apparel exports than those subject to the more restrictive rules of origin. By encouraging linkages to global supply chains AGOA is assisting African economies to participate more fully in the global economy. Requiring restrictive rules of origin will interfere with this process and is a form of protectionism that threatens to raise the costs of participating in the global economy. This risks making African economies less attractive to investment.

Mr. CRANE. Thank you, Mr. Kirk. I would like to yield to our Ranking Member Mr. Rangel to introduce our last guest.

Mr. RANGEL. Thank you, Mr. Chairman. I asked permission of Mr. Levinson to introduce you because my only question to the panel is to ask them to respond to your testimony. Like Africa, so many newcomers to America and certainly minorities and low-income people have gained entry into the marketplace through our textile and apparel industry. The UNITE! is the parent organization of the International Labor Garments Union Workers that I was once a member. My mother retired after 25 years. Of course, the initiation of trade agreements with developing countries have had a severe economic impact on their membership and their jobs.

More importantly, his concern is one that is felt throughout the Congress, and that is that there be some international standard for labor, that there be some laws that the countries have that are not only on the books, but they are enforced. Just as most industrialized nations started this way, most countries that enjoy having a middle class started this way as well. It has been the labor unions and not the entrepreneurs of America that have set the standards. No one dreams or hopes that we start off with U.S. standards, but we do intend to make certain that there are some standards. So, I hope you listen carefully to Mr. Levinson's testimony because I will be asking you just one question and that is to respond to it. Mr. Levinson, thank you for being here.

STATEMENT OF MARK LEVINSON, CHIEF ECONOMIST, UNITE!

Mr. LEVINSON. Chairman Crane, Mr. Rangel, Mr. Jefferson, I appreciate the opportunity to appear before the Committee today, and I appreciate that special introduction. Four years after AGOA was signed into law, it does not appear to us to have lived up to its name. While exports from Africa have grown sharply under AGOA, this increased trade has failed to translate into robust growth and sustainable development for the region. We believe that is the standard by which it should be measured. While exports under AGOA have grown more than 45 percent from 2001 to 2003, real annual gross domestic product growth in sub-Saharan Africa actually fell from 3.7 percent to 3.5 percent. Even in some of the countries that have seen their AGOA exports rise the fastest, annual growth last year was lower than it was in 2001. I have attached some charts to my testimony with more figures along these lines.

In addition, widespread unemployment, high poverty rates, low wages and violations of worker rights continue to plague the region. Why hasn't AGOA delivered on its promise? I believe there are three basic reasons. First, AGOA failed to address the underlying impediments to development in the region, particularly countries' unsustainable debt burdens. Two, AGOA's conditionality creates strong new investor rights but only provides minimal protections for worker rights, exacerbating unequal bargaining power and speeding up the race to the bottom. Three, AGOA cannot compensate for the threat posed to African producers by the phase out of global textile and apparel quotas next year. When quotas are eliminated, AGOA countries stand to lose major market shares and many exports to China.

I want to concentrate my remarks on worker rights and the phase out of apparel and textile quotas. While AGOA contains conditions on workers' rights, these have not been strong enough to ensure that workers' fundamental human rights are actually respected in the region. Lesotho, for example, is the third-largest AGOA exporter, and its shipments under AGOA have shot up more than 188 percent since 2001. According to an investigation by UNITE! researchers, workers in Lesotho make only $0.30 an hour, less than half the basic wage needed to support a family of four. Many workers who we interviewed were so desperate to make ends meet, they were forced to borrow money at usurious rates, sometimes from their own supervisors. Management refuses to recognize legitimate union representation, and the government does little to hold employers accountable. In addition, the U.S. Department of State reports that blacklists are commonly used by employers in the textile and apparel sector.

Violations of workers' rights are not isolated to Lesotho. In Nigeria, all unions must affiliate with the one legally mandated labor federation sanctioned by the government. In Kenya, free trade zone employers are specifically exempted from health and safety laws. In Cameroon, there were reports of trade union leader harassment and failure by the government to enforce existing laws. In my submitted testimony, I have a longer example about Namibia, a huge factory in Namibia, where a Namibian-based research institute has done extensive research of violations at that factory, which I don't have time to go into here.

Perhaps the most striking example of AGOA's failure to protect workers' rights is in Swaziland. The American Federation of Labor-Congress of Industrial Organizations submitted workers' rights petitions on Swaziland in 1999 and 2002. Though the Administration accepted the 2002 petition in September, 2003, there has still not been any effective action taken to address the violations detailed in the petition. The government of Swaziland is a monarchy that systematically suppresses trade union rights. Union leaders that helped organize a peaceful demonstration in 2001 were charged with contempt of court, had their passports withdrawn and were barred from addressing public audiences. Trade unionists that seek to enforce their rights confront the judiciary whose autonomy and authority has been undermined by the king of Swaziland and which is incapable of establishing rule of law. Decrees from the king have banned free speech and political dissent, further curtailing trade union activities.

According to the State Department, the government continues to turn a blind eye to abuses of workers' rights by multinational employers. Despite these flagrant violations of workers' rights, Swaziland still enjoys its full AGOA benefits and has seen its exports to the United States under AGOA jump 143 percent since 2001. The current GSP petition on Swaziland has been under review for more than 7 months with no effective action to ensure that AGOA conditions are being met.

Let me say a few words about the expiration of apparel and textile quotas. In 246 days from today—246 days—apparel and textile quotas expire. The AGOA cannot save the textile and apparel industry in sub-Saharan Africa if quotas are allowed to expire. If quotas expire—it is not just Africa—almost all apparel and textile producing countries around the world will be devastated. Workers in Latin America, the Caribbean and Asia and Africa will be thrown into direct, unregulated competition with China, and millions will lose their jobs as a result. It will further decimate the industry in the United States, which has already suffered huge job losses. More than 337,000 American apparel and textile workers have lost their jobs just since this Administration took office in January of 2001. A third of the industry has been decimated.

According to industry analysts, if quotas expire within 2 to 3 years, up to 600,000 workers in the United States, we expect to lose their jobs. Categories where import quotas have already been phased out offer a small window into the future. So, for example, in the last 2 years for the products that were removed from quota in 2002—and there were products that were removed in 2002—China increased its exports to the United States by $4.1 billion while the rest of the world declined by $1.3 billion.

In the apparel categories where quotas disappeared in 2002, China's share of U.S. imports went from 9 percent before the quotas expired to 60 percent last year. They are expected to go to 70 percent this year. At the same time, sub-Saharan Africa's share of imports in those categories dropped. Some AGOA countries saw large declines in those categories. Mauritius saw exports drop by nearly 50 percent. Kenya's exports suffered a loss of nearly 75 percent. Madagascar's declined almost 40 percent in those categories. This is entirely expected.

The U.S. International Trade Commission in its recent study said that production would shift from Africa to China once quotas were eliminated. If China captures 70 percent of the entire U.S. apparel and textile market when quotas expire, which is entirely possible and which they have done in the goods that have already expired from quota, $42 billion of trade will go from other exporting countries to China, the largest shift in production in world history. The projected export losses for countries are—and this is just assuming that they—what they would lose in the U.S. market is proportionate to what they have now. The Caribbean Basin Initiative region would lose over $6 billion. Mexico, $5.4 billion. Bangladesh, $1 billion. Lesotho, almost $300 million. Mauritius, almost $200 million.

Producers from 31 countries, including the United States, Africa, Turkey, Mexico, have recently joined together to call for an extension of the quota system to 2008. UNITE! along with other apparel and textile worker unions from around the world are demanding that textile and apparel quotas be extended and the phase out not occur until there are enforceable protections for workers' rights in the global trading system. If we don't extend quotas, in my view, even if we pass this extension of AGOA, we are not going to save the apparel and textile industry in Africa. Thank you very much.

[The prepared statement of Mr. Levinson follows:]

Statement of Mark Levinson, Chief Economist, UNITE!

> From countries all across the continent of Africa, AGOA is helping to reform old economies, creating new jobs, is attracting new investment, most importantly, is offering hope to millions of Africans.
>
> George Bush
> 6/26/2003

> We dislike the wages and working on Saturdays and Sundays. We work very hard for this company filling those containers all the time within a few days. They benefit from us but we don't get anything in return.
>
> Worker at Ramatex factory in Namibia
> Quoted in *Ramatex: On the Other Side of the Fence*
> Labour Resource and Research Institute, October 2003

Despite President Bush's glowing assessment of the African Growth and Opportunity Act, it is apparent now, four years after the program was signed into law, that it has not lived up to its name. While exports from Africa have grown sharply under AGOA, this increased trade has failed to translate into robust growth and sustainable development for the region.

While exports under the AGOA program grew by more than 45 percent from 2001 to 2003, real annual GDP growth in sub-Saharan Africa actually fell from 3.7 percent to 3.5 percent. Even in some of the countries that have seen their AGOA exports rise the fastest, annual growth last year was lower than it was in 2001 (See Chart A and Chart B). In addition, widespread unemployment, high poverty rates, low wages and violations of workers' rights continue to plague the region.

Why hasn't AGOA delivered on its promise? There are three basic reasons:

1. AGOA failed to address the underlying impediments to development in the region, particularly countries' unsustainable debt burdens.
2. AGOA's conditionality creates strong new investor rights but only provides minimal protections for workers' rights, exacerbating unequal bargaining power and speeding up the race to the bottom.
3. AGOA cannot compensate for the threat posed to African producers by the phase-out of global textile and apparel quotas next year. When quotas are eliminated, AGOA countries stand to lose major market share and many export jobs to China.

1) Debt in Africa

With mounting unsustainable debt burdens and low revenue, many African countries are unable to invest in infrastructure and basic human services like healthcare and education that are vital for development. External debt burdens stand at 53 percent of GDP in sub-Saharan Africa. In Africa as a whole, fourteen cents of every dollar earned on exports goes to debt service payments. Even with growing exports and enhanced international debt relief, Africa's debt burden has continued to grow since AGOA's implementation, and it hit $275.5 billion in 2001. Unfortunately, the current AGOA extension bill would do nothing to help find solutions to Africa's debt crisis. As long as governments in the region are forced to send billions of dollars to international creditors each year instead of investing those resources in health care, education, and infrastructure, lasting development in the region will be extremely difficult to achieve.

2) A Failed Development Model

Worker Rights Need to Be Strengthened

AGOA contains conditions protecting investor rights and intellectual property rights that are very similar to conditions that developing countries have refused to add to the agenda of the World Trade Organization and balked at in bilateral trade negotiations. These conditions further strengthen the hand of transnational corporations investing in Africa, and reduce the scope for public policies designed to help capture some of the benefits of those investments for local economic development. As a result, investors in the region enjoy extremely favorable access—tax holidays, subsidized provision of services like electricity and water, and lax government regulation—while contributing very little to the domestic economy in terms of decent employment, linkages to local small and medium enterprises, and investments in the community.

Thus, while exports are booming, profits are being captured by the very few, and often by transnational companies with few domestic linkages. This perverse model of development perhaps explains some of the disjuncture between the soaring exports under AGOA and disappointing growth in the region overall. Workers are unable to capture their fair share of the wealth they create through rising wages; African businesses are denied contracts in favor of third-country suppliers (a provision that would be extended under the current bill); and local governments forego tax revenue in order to attract scarce investment. By eroding governments' bargaining power with foreign investors, and failing to build the bargaining power of workers, AGOA has exacerbated an imbalance that allows investors to pit governments against governments, and workers against workers, in a race to the bottom in regulatory standards and working conditions.

While AGOA also contains conditions on workers' rights, these have not been strong enough to ensure that workers' fundamental human rights are actually respected in the region. Lesotho is the third largest AGOA exporter, and its shipments under AGOA have shot up more than 188 percent since 2001. But, according to an investigation by UNITE! researchers, workers in Lesotho making apparel for The Gap make only about 30 cents an hour, less than half of the basic wage needed to support a family of four. Many workers are so desperate to make ends meet that they are forced to borrow money at usurious rates, sometimes from their own supervisors. Workers are subjected to verbal and physical abuse and forced to work unpaid overtime. Though many workers are fighting to unionize their factories, and unions have majority support at some facilities, management refuses to recognize legitimate union representation, and the government does little to hold employers accountable. In addition, the U.S. State Department reports that blacklists are commonly used by employers in the textile and apparel sector. Violations of workers' rights are not isolated to Lesotho. In Nigeria, all unions must affiliate with the one legally mandated labor federation sanctioned by the government. In Kenya, free trade zone employers are specifically exempted from health and safety laws. In Cameroon, there were reports of trade union leader harassment and failure by the government to enforce existing labor laws.

Ramatex in Namibia

Many of the problems of AGOA are illustrated by the experience of workers at Ramatex in Namibia. Ramatex, which employees 7,500 workers, is the most important foreign investment in Namibia since independence. The government provided a $120 million $N subsidy to Ramatex, a company based in Malaysia, to locate in Namibia. According to a comprehensive report on Ramatex by the Namibian based Labour Resource and Research Institute (LRRI):

> The financial support that Ramatex received from the Namibian government is equivalent to the salaries of all workers for 34 months—almost 3 years. A huge investment by any standard which can only be justified if Ramatex' operations in Namibia will lead to long-term sustainable jobs of decent quality.

According to the LRRI report, female workers are forced to take pregnancy tests (at their own expense), there have been several strikes because of low pay (approximately $50 per month) and workers have serious health and safety concerns.

Listen to workers at Ramatex:

> *We work the same hours everyday. If you are tired you are told to go home and never to come back again. If you miss work on Saturday and Sunday, you are just told to go home or you get fired depending on the number of warnings. If you just miss work on Saturday and Sunday, the moment the Chinese supervisor see you he or she will only talk to the Filipino in the office, they will then tell you, 'go office, sign warning'.*
>
> *I start at seven in the morning. We iron over a hundred items in an hour, and we stand the whole day. The standing is very painful, but there is nothing I can do because it is my work. I leave at 19h30 in the evening, whether it is a weekend or normal weekday. Sunday-to-Sunday. When I started I used to attend night classes but I don't get time anymore and I stopped going to classes, because I have no time*
>
> *We dislike the wages and working on Saturdays and Sundays. We work very hard for this company filling those containers all the time within a few days. They benefit from us but we don't get anything in return.*

The LRRI report concludes:

> Ramatex workers experience the daily frustrations of not being able to make ends meet despite working 9-11 hours every day! Unless this situation is redressed in the near future, Ramatex will essentially be contributing to the establishment of a large number of 'working poor'—people in full-time employment, unable to even meet their basic needs. This stands in sharp contrast to the Namibian government's stated objective of promoting decent work in line with ILO standards.

Swaziland

Perhaps the most striking example of AGOA's failure to protect workers' rights is in Swaziland. The AFL–CIO submitted workers' rights petitions on Swaziland in 1999 and 2002. Though the Administration accepted the 2002 petition on September 2003, there has still not been any effective action taken to redress the violations detailed in the petition. The government of Swaziland is a monarchy that systematically represses trade union rights. Union leaders that helped organize a peaceful demonstration in 2001 were charged with contempt of court, had their passports withdrawn, and were barred from addressing public audiences. Trade unionists that seek to enforce their rights confront a judiciary whose autonomy and authority have been undermined by the King of Swaziland, and which is incapable of establishing rule of law. Decrees from the King have banned free speech and political dissent, further curtailing trade union activities. According to the U.S. State Department, the government continues to turn a bind eye to abuses of workers rights by multinational employers. Despite these flagrant violations of workers' rights, Swaziland still enjoys its full AGOA benefits and has seen its exports to the U.S. under AGOA jump 143 percent since 2001. The current GSP petition on Swaziland has been under review for more than seven months, with no effective action to ensure that AGOA conditions are being met.

Unfortunately, the current AGOA extension would do nothing to strengthen the workers' rights provisions of the program, nor to ensure that the current provisions are administered more consistently and aggressively. Instead, extension of AGOA under the current circumstances will likely only encourage the current pattern to persist. Footloose multinational investors will remain free to take advantage of desperate governments and struggling workers, profit from additional access to the U.S. market, and contribute very little to long-term economic development in the region.

3) The Elimination of Apparel and Textile Quotas

Even if these important flaws in AGOA were fixed, there is a more serious problem that must be addressed. At the end of this year, 246 days from today, apparel and textile quotas expire. AGOA cannot save the textile and apparel industry in Sub-Saharan Africa if quotas are allowed expire. Simply granting more tariff preferences to countries whose exports will soon be swamped by Chinese production is like rearranging the furniture when your house is on fire.

If quotas expire almost all apparel and textile producing countries around the world will be devastated. Workers in Latin America, the Caribbean, Asia and sub-Saharan Africa will be thrown into direct, unregulated, competition with China, and millions will lose their jobs as a result. It will also further decimate the industry in the U.S., which has already suffered large job losses. More than 32 percent—337,000—U.S. textile and apparel jobs have been lost since January 2001. Hundreds of plants have closed devastating communities. But this pales in comparison to what will happen when quotas expire. Industry representatives predict that 600,000 U.S. workers will lose their jobs within several years of the expiration of quotas.

Categories where import quotas have already been phased out offer a glimpse of what is to come. *In the last two years, for the products removed from quota in 2002, China increased its exports by $4.1 billion while the rest of the world's declined by $1.3 billion. In the apparel categories where quotas disappeared in 2002, China's share of U.S. imports (in square meters) jumped from 9 percent in 2001 to 60 percent in 2003. It is expected to go to 70 percent by the end of this year.* At the same time, sub-Saharan Africa's share of imports in the same categories dropped. Some AGOA countries saw large declines in these categories: Mauritius saw its exports drop by nearly 51 percent, Kenya's exports suffered a loss of nearly 75 percent, Madagascar's exports declined by 39 percent. In a recent study, the U.S. International Trade Commission found that production would undoubtedly shift from Africa to China once quotas were eliminated, regardless of AGOA. One manufacturer from Zambia told *Women's Wear Daily,* "Even if we didn't pay our workers, we still would be unable to cut our prices to match China's."

If China captures 70 percent of the entire U.S apparel and textile market that would result in a net shift of approximately $42 billion in trade from other exporting countries to China. The projected export losses (assuming losses proportionate to existing market share) for countries are: CBI region $6.3 billion, Mexico $5.4 billion, Indonesia $1.6 billion, Bangladesh $1 billion, Lesotho $289 million, Mauritius $187 million.

Producers from 31 countries including the U.S., Africa, Turkey and Mexico have recently joined together to call for an extension of the quota system until 2008. UNITE!, along with other apparel and textile worker unions from around the world, under the auspices of the International Textile Garment Leather Workers Federation (ITGLWF), is demanding that the textile and apparel quotas be extended, and that phase-out not occur until there are enforceable protections for workers' rights in the global trading system. Only with such guarantees in place will workers in the U.S. and around the world be able to compete on a fair playing field.

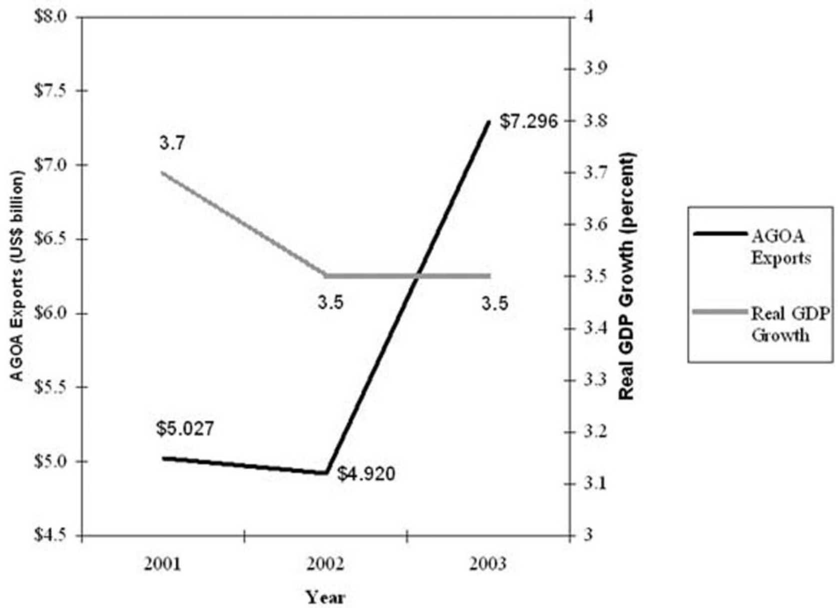
Other Concerns With the Bill

The bill extends the third-country fabric provision that allows for export of apparel products to the U.S. to receive duty free treatment without having to use U.S. or regional yarns or fabrics. Under this provision, Chinese yarns and fabrics are shipped to Africa, cut and sewn into garments and then exported to the U.s. duty free. This will result in the loss of U.S. jobs because the U.S. industry will lose yarn and fabric orders to China and other suppliers. It makes little sense why China, which is not a party to this agreement, should receive such a large benefit from it.

Conclusion

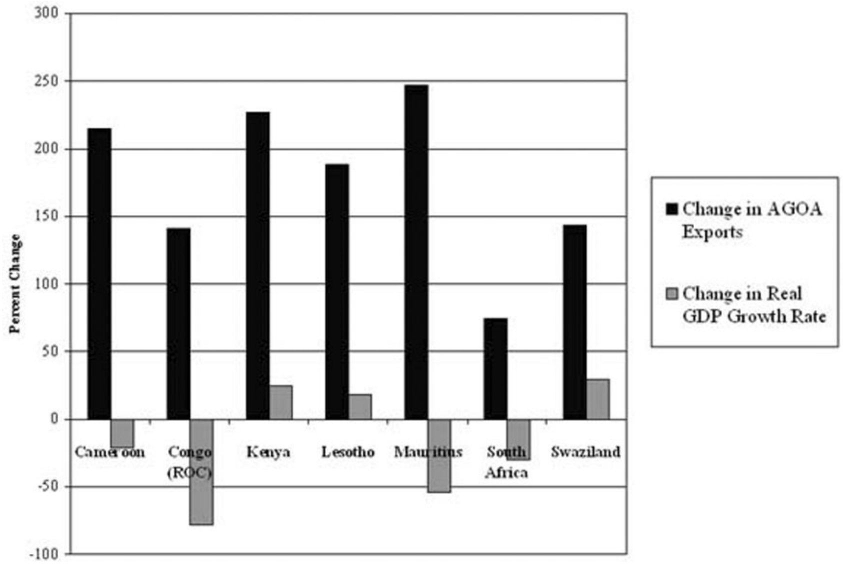
There is nothing wrong with African countries having access to U.S. markets. But this should not be done at the expense of workers in America or in Africa. Market access should be linked to adherence to internationally recognized labor rights. U.S. policy toward Africa should be judged by its effect on the lives of ordinary people. Broad based development requires that workers have internationally recognized human rights, improvements in physical infrastructure, production of basic commodities for national, regional and international markets; promotion of locally owned enterprises; and sufficient government control to balance private capital needs with broader societal needs. AGOA fall short in all these areas.

Chart A. AGOA Exports and Real GDP Growth in sub-Saharan Africa, 2001–2003



Sources: U.S. Department of Commerce and IMF *World Economic Outlook,* April 2004

Chart B. Change in Annual AGOA Exports and Change in Annual Real GDP Growth Rates in Selected sub-Saharan African Countries, from 2001 to 2003



Sources: U.S. Department of Commerce and IMF *World Economic Outlook,* April 2004

Mr. CRANE. Thank you, Mr. Levinson. Let me just read a section of the bill to you, Ms. Soares-Demelo, and it is the sense of Congress on interpretation of textile and apparel provisions of AGOA. It says, "It is the sense of the Congress that the executive branch, particularly the Committee for the Implementation of Textile Agreements, the U.S. Customs and Border Protection of the U.S. Department of Homeland Security and the U.S. Department of Commerce should interpret, implement and enforce provisions relating to preferential treatment of textile and apparel articles broadly in order to expand trade by maximizing opportunities for imports of such articles from eligible sub-Saharan countries." I hope that that addresses the concern that you registered earlier.

I would like to put a question up to the entire panel for any panelist to respond to and that is, why are some countries not yet benefiting more fully from U.S. investment flows? Is it because they lack petroleum and gas sectors or because of more fundamental issues with the structure of their economies and governments? What provisions or incentives would help increase U.S. direct-investment in sub-Saharan Africa in sectors other than petroleum and gas? Anyone wish to respond?

Mr. HAYES. The fact is that U.S. investment flows beyond the energy sector. There has not been a significant upgrade on U.S. investment in Africa. The incentives to invest simply aren't there. Financing is very, very difficult to get. The restrictions on the Export-Import Bank of the United States and the Organization of the Petroleum Exporting Countries are limited to certain industries.

Private banking in the United States does not feel secure in supporting investment in Africa, and that is one of the areas we have to work on. The African banking sector does not have a history of supporting private-sector investment, U.S. or their own private-sector investment. Again, until there is greater transparency and rule of law, companies are frankly very reluctant to invest. Yet, I do think there are great investment opportunities in many countries. Why it is not uniform is very simple, too. I think the rule of law, the issues of transparency the various disparities on resources and so forth, all contribute to very uneven development.

I think this country really needs to look at financing issues especially and look at how we increase the capital flows to Africa from our own investment portfolio. The two strongest investors right now are China and South Africa. There are reasons for that. The United States is not, beyond the energy sector, yet—a significant investor.

Mr. CRANE. Anyone else have a comment? Yes, Mr. Streader?

Mr. STREADER. For VF, continuity of product and integrity of our brands, it takes a while for us to move from one production location to another. When AGOA was enacted, we immediately began to look at economic benefits that came with AGOA and Africa, but it takes awhile for due diligence, us first to identify not only the governments that we felt were stable, but also looking at the infrastructure, the development of roads, the ports, the ability to leave—to get our raw materials in and to leave quickly and then subsequently looking at what existed from a production standpoint. The move to Africa for us over the 3-year period is basically a start from zero. We believe there are greater opportunities here as the infrastructure and the abilities mature, but it is going to take time.

Mr. CRANE. We have someone with us now who was one of the original workers in the vineyards to create our first AGOA bill, and that is Congressman McDermott. He will be recognized after we go through the chain of command here. Let me first yield to Mr. Rangel.

Mr. RANGEL. Thank you. I will be brief. I would hope that all of you would send to me any information that you have as it relates to laborers' rights and issues at the workplace. It would help me. Also, Reverend Beckmann, if you could send me some information on the organization that you represent, and do they have involvement with things besides hunger and poverty, your organization?

Reverend BECKMANN. People are hungry and poor because of a lot of other things, so——

Mr. RANGEL. Have they taken position on the war?

Reverend BECKMANN. Sure. To the extent that it affects hungry people.

Mr. RANGEL. What position is that?

Reverend BECKMANN. You mean on the Iraq war?

Mr. RANGEL. Yes.

Reverend BECKMANN. We argued before the war that the United States should slow down. We are a religious organization, and partly we reflected the judgment of the Catholic bishops and other religious authorities, that moving when we did, it was not a just war. The doctrine of just war says you have to wait until you have exhausted all other remedies. Our focus is on what is good for poor people. So, the emphasis in our thinking was on the tremendous diversion of attention and resources that the war would entail away from the things that make for better livelihoods for people at the bottom.

Mr. RANGEL. Economic class that fights the war.

Reverend BECKMANN. Absolutely, sir.

Mr. RANGEL. Well, I hope some of you will briefly take care of my concerns about labor conditions by writing and sending me information, but I do hope to take advantage of this opportunity and comment on some of Mr. Levinson's remarks, not dealing with quotas—but I think we all agree that we have to do something there—but as it relates to wages and working conditions, it would help me with my thinking.

Reverend BECKMANN. I would like to speak to it, if I may, Mr. Rangel. I found the written testimony really helpful, especially the middle part about the field work that they have done. I thought their first argument is a bogus argument. Just because some of the same countries that have had rapid exports have also had declining gross national product during this period of global recession doesn't mean that the exports didn't make things better than they would have been otherwise. So, I didn't find convincing at all. The AGOA is a significant thing, but it is a small thing. There are lots of other reasons why Africans are still poor and a lot of other things that they need to do and that America and the other industrialized countries can do to help reduce poverty, promote healthy development in Africa. However, that is not a reason not to do AGOA. It is just that this is only one piece.

I thought the most convincing part of the written testimony was the field work that they have done, especially the concern about Swaziland. In Bread for the World's view, what may be most important is that worker rights really be part of trade policy and trade agreements. We do have international agreement on basic worker rights. I think the most important of those is the right to associate. The funding that people in Lesotho are getting 30 cents an hour is not commensurate in itself. That is $2.50 a day. The average per capita income in Lesotho is probably a dollar day. So, if they are getting an income of $2.50 a day, in that market they may be happy. What is fundamentally important is the right to associate, so that the workers in Lesotho or wherever can make their own judgments about whether they are getting a fair deal or not; and if they are not, that they can organize unions and push to defend their own rights.

So, I thought that part of the analysis was really, really important and helpful. I have been to two or three of the annual AGOA conferences. One of the best features of AGOA has been that it brings together African leaders together with top leaders of U.S. Government, and then we have helped to develop parallel fora so that African businesspeople are getting together with U.S. businesspeople, African civil society is getting together with U.S. civil society. These have been very productive fora. I was struck that, for example, in 2001 it was delayed a couple of months because of September 11, but in November 2001, you had the President and four secretaries all meeting at length with Africans. The Secretary of Commerce never meets with Africans. These annual meetings have been helpful. Within all those discussions, this kind of analytical work, criticism, and concern had seldom been expressed. So, I appreciate the testimony. I appreciate the Committee's attention to this, and it seems to me that part of the ongoing dialog about AGOA ought to be about labor rights. There is labor rights language in the law, so the Administration needs to make that part of the discussion with African governments about the implementation of AGOA.

Mr. RANGEL. Thank you, Reverend. Thank you. People like you are going to send me back to the church. Thank you for your testimony.

Chairman CRANE. Mr. Jefferson.

Mr. JEFFERSON. Thank you, Mr. Chairman. One of the reasons for extending the third-country fabric provisions, apart from the reason that it is fundamental to making AGOA work now for African nations, is the hope that there will be time to permit investments in the country sufficient to create a level of reasonable fabric production that can sustain the apparel industry.

As AGOA III was originally introduced by Mr. Rangel and Mr. McDermott and me, before the Chairman substituted his provision we had a 4-year window of opportunity for this to happen. Now it is down to 2.5 years. The question is whether you think that that is sufficient time to generate the required investment in reasonable fabric production, which of course is the premise upon which this extension is based, and if so, what evidences do you see of investment moving in this area in those countries, in the African countries that we are hoping to see fabric produced in? Whoever might want to approach it.

Mr. STREADER. Mr. Jefferson, what we have observed is that the initial setups were in garment factories which were easier to do in a smaller capital investment. We believe that the third-party fabric extension needs to take place because along the way to foster growth in the area in Africa, you are going to need the Asian fabrics, but it would—I believe it would bring on the investment that is needed for the community in the textile—in the textile sector, which is an 18—to 36-month period to put up a textile mill to really get it going with any efficiency, and the cost is much larger. I believe you will see partnerships between American and African companies if, in fact, this is extended.

Ms. KILEY. I would just like to add that while the original AGOA was effective October of 2000, each country had approvals that they had to go through; so in effect, not every country has been eligible for benefits including, if the fabric was produced there, that it would qualify as regional until they met their approval—their eligibility measures. So, those were phased in, throughout 2001 and even, as we speak, additional countries docking in.

Mr. JEFFERSON. So, the two of you think this 2-and-a-half year extension is going to be time sufficient to permit the kind of investment that is needed to produce fabric there on the Continent?

Mr. HAYES. If I might, also, Congressman Rangel asked a question to us. I would like to take that part on also. I am concerned frankly, Congressman Jefferson, that 2-and-a-half years is enough time. I think, given infrastructure, given the realities of change, the slowness of getting the visas for AGOA—most countries still don't have their visas as for AGOA—I think 2-and-a-half years is not enough time. From my perspective 2-and-a-half years though is better than closure. I think that we are going to need a lot more time.

In terms of your points with the question of Mr. Levinson, I think there is quite a bit in his statement that I agree with. I don't think, though, that AGOA was meant to address all the impediments. The criticism of AGOA that I have had from the very beginning is that it doesn't go far enough. I think much more needs to be done with Africa for the sake of our own economy. More partnerships need to be built, more technical assistance. If we address labor laws, at the same time we are going to address education for young people; otherwise you have a vast unemployed and disaffected youth. We have seen evidence of where that goes in terms of discontent, rebellion, and terrorism.

So, I think there are a number of issues that have to be addressed comprehensively that haven't been done so far yet for—for and with Africa, because I think they are an enormous potential trading partner. Unfortunately, one of the weaker sectors of the Corporate Council is that we have no textile companies within our area. So, I think other companies will have to answer the textile-specific questions. I think issues such as Swaziland—was with President Masari last night in Boston, who is doing the negotiations on behalf of the African Union behind the scenes. I think we have got to work for change there, and I think that is happening.

There are other issues on China. For 3 years I have been saying that one of the major benefactors of AGOA has been China. At least they have been using it to create jobs, which, again, I don't think is entirely a negative, but I do think we have to address the issues of United States-China. What we have been advocating at the Corporate Council is a dialog with China on Africa, frankly, to begin to look at are there areas of cooperation, are there areas of change. I think that Mr. Levinson hit on some key critical points.

Chairman CRANE. Thank you. Ms. Soares-Demelo.

Ms. SOARES-DEMELO. Just to go back a few points, first to Mr. Levinson. I just wanted to point out, being someone who has spent a lot of time in factories and working with different factory owners on different products, certainly I can tell him that this particular jacket was made in a unionized South African factory and the workers were making at least $220 a month. I think that is a pretty good start, and I am not so sure what more he would want. My second point was back to Mr. Crane. Unless the word "shall" is changed to "must," ORTL will create problems, we can pretty much count on that. As I do a lot of work on different products, there are so many small issues that come up that continue to be a stumbling block to doing good business in Africa.

As far as the extension of time to develop an industry in Africa, I think we have to look at the capacity on sewing, which is the ground state, and grow from there. Certainly mill investment is huge, as my other colleagues have pointed out, and the variety of—especially for the customers that I have—of the fabrics they need is great. From the ground state we can start with certain basic products. Long term, of course, we want Africa to be able to do from the ground to the garment and to be able to do it all, because that is what is really sustainable in the global world today. Right now the capacity in sewing is still very small, and they need to grow that as step one before they can really get the investment of the mills behind that.

Chairman CRANE. Thank you. Mr. McDermott.

Mr. MCDERMOTT. Thank you, Mr. Chairman. I appreciate your having this hearing. I am sorry I wasn't able to be here for the bulk of it. Mr. Kirk, I read an article recently from a World Bank economist who suggested that third-country fabric—there was no reason to put any limitation on it. It really didn't make much sense. I have been looking for any evidence to suggest that by putting these kinds of tightened rules of origin, we somehow force investment in the more basics, so that we start making fabric inside the countries that are using third-party fabric. Is there any evidence that that has ever worked?

Mr. KIRK. Thank you, Congressman McDermott. I am familiar with that article. When viewed that way, a rule of origin is a form of local content requirement, which is a form of protectionist policy. Now, when one is looking at extremely large markets like the U.S. market or even the European market, it can create incentives. So, certain industrial development can take place as a result of the incentives to supply that market under a preference. Has it been successful? Well, if we look at the European record where there has been the Lomay Convention and the Cotonou agreement since 1990, we go back 30 years, we see very limited success.

Mr. MCDERMOTT. Because they did not open up to third-party fabric?

Mr. KIRK. I think that is one of the reasons. The other reason would have to look at domestic policies within the African-Caribbean-Pacific countries in that agreement. Certainly the restrictions on local content would be a constraining factor, and increasingly this appears to be recognized. In a sense, the success of AGOA in expanding exports of apparel has been contrasted to the lack of increase in exports to Europe under their preferential scheme.

Mr. MCDERMOTT. So, actually ours was more liberal, or at least more progressive, in terms of allowing them to get an industry up and running; is what you are suggesting?

Mr. KIRK. Yes.

Mr. MCDERMOTT. Is there any example of where the tightening of the rules discourages investment?

Mr. KIRK. I think a tightening of the rules in this particular case—we are talking about the special rule—would lead to a loss of jobs in the apparel sector immediately, because it is almost certainly the case that the imports could not be sourced competitively at present.

Mr. MCDERMOTT. Let me switch to Mr. Streader. You are sourcing a lot out of Africa, and if they close down—if we give another 2-and-a-half years, what are you going to do in 2007? Are you going to stay until 2007 and go along inch-by-inch with us, always wondering if we are going to extend it for another couple of years?

Mr. STREADER. Honestly, it is on the back of our mind, and we are measuring and looking at all of the—the quizzes and free trade agreements that are in progress all the time, as we put together the best supply chain model that makes sense for our publicly traded American company. There is an economic value that we put to this, but along the way, truly, it is a blended strategy. We will not be 70 percent in China. We will not, not even close. We will always have a presence here. The blended strategy, it really warrants us to look hard at Africa to continue to build what we are doing there, which is still—it is a large number, sir, but it is small in terms of the overall VF quantity because of the magnitude of the corporation, but we will continue to look at it.

Mr. MCDERMOTT. Give me your reasons for why you wouldn't just put it all in China. Why not? You have got it all in one place. Do it all out of there. The containers are there, the ships are there; why fiddle around with 20 percent out of Africa or somewhere else?

Mr. STREADER. Well, honestly speaking, we are not convinced that China is the only answer. There are many other viable options in the Western Hemisphere and Central America where there are still some great cost benefits coming outside of Central America, that the speed to market and the opportunity to bring product here is—there is a true benefit to that. Along the way we are looking at, for instance, India and South Asia and there are many other places. So, it is truly a benefited blended strategy. We will not be heavy in China. It will be important to us, but we would like to have the variables which include Africa for us. We would like that.

Mr. MCDERMOTT. So, even the distance makes a difference, even though you are ordering now for, what, let's see, this is April—so you are ordering for spring next year? Is that what you are planning right now?

Mr. STREADER. Spring and for September and October. So, this decision is something that affects us every day. The next order, do we keep it in the present location or in Mombassa or Nairobi, or do we think about moving it because of the ramifications of a 19- or 30-some percent duty? We are measuring that right now. We are concerned.

Mr. MCDERMOTT. How long can you wait before you pull the plug on it? The Congress sits here and fiddles around. You must have a drop-dead date. You don't want to tell us, huh?

Mr. STREADER. My chairman asks me that question frequently and it—it is not—it is not in September, I will tell you that. It is much before that.

Mr. MCDERMOTT. I can imagine you might give yourself a little slack.

Mr. STREADER. I am hoping we can move this along in 30 days or 45 days. We really are—we are very anxious for this to progress.

Mr. MCDERMOTT. Can you give a response to the idea that if there was ending access to third-party fabric, how would that change your investment pattern? More likely to put more in, or are there other factors that make the decision?

Mr. STREADER. There are many factors, sir. It is efficiencies, it is speed, it is the ability to sell a full package, and not just by labor. There are a lot of variables that we look at we have, but it is truly, we have a comprehensive framework that we use.

Mr. MCDERMOTT. Thank you, Mr. Chairman. I appreciate your taking the time to work with us here. For all your work over the last 5 or 6 years on this issue you are a real hero. Thank you.

Chairman CRANE. Thank you. We want to express appreciation to all of you folks for your willingness to give of your time and to communicate with us on this important piece of legislation that we have under consideration. I would ask you, if you do have the time, to please communicate with our other colleagues. To any extent you can, please try and convey messages to them, because we need to continue the broad bipartisan support that we have had, but a big part of that is education. I thank you all for your participation. With that, the hearing stands adjourned.

[Whereupon, at 3:55 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

[BY PERMISSION OF THE CHAIRMAN:]

African Coalition for Trade, Inc.
Washington, DC 20007
April 29, 2004

Chairman Philip Crane
Trade Subcommittee
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Crane:

We are writing in connection with the Ways and Means Trade Subcommittee's April 29, 2004 hearing on H.R. 4103, the AGOA Acceleration Act of 2004, to express our support for this important legislation.

The African Coalition for Trade (ACT) is a trade association of African private sector companies and groups that support expanded opportunities for mutually beneficial trade and investment ties between Africa and the United States. ACT's members come from across Africa, including Botswana, Cote d'Ivoire, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Senegal, South Africa, Swaziland, Tanzania and Zambia. ACT fully supports H.R. 4103.

AGOA has been a tremendous success in its first four years, but that success is also fragile. To date, more than 80% of the apparel that has entered the United States under AGOA has been from the less developed countries (LDCs) and has been made with third-country fabric. But the LDCs' access to third-country fabric is scheduled to expire on September 30, 2004. The situation is made all the more threatening by the fact that a mere three months later on January 1, 2005, the Multi-Fiber Arrangement (MFA) system of quotas on textile and apparel imports from the China and the other largest producers in the world is scheduled to terminate pursuant to the Uruguay Round Agreement on Textiles and Clothing.

There can be little doubt that the LDCs' infant apparel industries, suddenly stripped of access to their primary source of inputs and almost simultaneously facing unfettered competition from China, are staring into the face of disaster. Literally hundreds of thousands of jobs are in jeopardy. If these jobs disappear, there are no realistic prospects for alternative employment.

H.R. 4103 would avert this impending crisis by extending the LDCs' access to third-country fabric for three more years to give the LDCs time to adjust to the new rules of origin and the new competition from China and, simultaneously, to allow more time for investment to be made in the African yarn and fabric industry so that it can better meet the input requirements of the garment manufacturers.

H.R. 4103 would also make technical corrections to AGOA's apparel provisions to: (1) permit use of imported collars and cuffs, (2) authorize commingling of U.S. and African-origin fabric in the same garment, (3) allow short supply fabrics to be woven/knit in Africa, (4) authorize retroactive duty refunds for goods imported since AGOA took effect in 2000 that meet the AGOA eligibility standards as amended by the preceding provisions, and (5) instruct the Bureau of Customs and Border Protection (CBP) to interpret AGOA liberally in order to expand trade opportunities as Congress has intended.

These technical corrections are absolutely essential to correct CBP's past unnecessarily restrictive interpretations of AGOA and to prevent CBP from continuing to undermine the intent of Congress in the future. Moreover, it is only equitable to authorize retroactive duty refunds for products that were imported since AGOA was enacted and that would have qualified for duty-free eligibility but for CBP's past rulings that have been inconsistent with the intent of Congress.

ACT and our members in the African private sector appreciate the opportunity to present our views to the Trade Subcommittee on these important issues. Please let us know if you require additional information or if we may otherwise be of assistance.

Respectfully submitted,

Paul Ryberg
President

[BY PERMISSION OF THE CHAIRMAN:]

Statement of AGOA Civil Society Network

Mr. Chairman, Congressman Levin and Members of the Subcommittee, The AGOA Civil Society Network is pleased to provide this written testimony to stress the significance of the AGOA Acceleration Act to our organization and the people of Africa and the United States.

The Africa Growth and Opportunity Act (AGOA) Civil Society Network—a consortium of civil society groups and private sector representatives from the U.S. and Africa—are happy to see the AGOA Acceleration Act's introduction into the House and look forward to it's speedy progress within Congress. The AGOA Acceleration Act contains a number of provisions that members of the AGOA Civil Society Network believe are important to the advancement and continued success of AGOA.

We hope that under the provisions of the AGOA Acceleration Act, the following will be possible and encouraged during implementation:

- The three major sectors—civil society, government and private sector—will fully participate in the AGOA process with an eye towards enabling African businesses to meet international standards and become more competitive in the global market.
- Good corporate governance and an investment in human resources development will be promoted to ensure that trade benefits are properly diffused throughout African societies.
- In order to ensure equitable trading opportunities for Africa, the United States, European Union and Japan will collectively eliminate subsidies and quotas and all forms of trade protection and allow the laws of comparative advantage in a free market system to create a level playing field that can allow for African participation.
- Under the established interagency trade advisory committee, participating US institutions will collaborate with and support African-led civic organizations that promote AGOA's goals and objectives. In turn, civil society groups will support the trade advisory committees efforts and AGOA implementation through advocacy, capacity building and technical assistance for Africans in need on the ground.
- The development of infrastructure projects that increase trade capacity through ecotourism will enable African countries to look beyond petroleum in their quest for development. As a result of this expansion, more direct flights and direct sea routes between Africa and the US will be established to facilitate and ease the process of bilateral trade activity. Efforts at the local level including the one led by Miami-Dade county through the International Sister Seaport and International Sister Airport programs will be engaged in the AGOA process and called upon in executing programs and disseminating information about national and international trade efforts.
- Civil society will be engaged by United State government agencies in monitoring AGOA eligibility and compliance, as well as tracking the impact of trade

on the masses of people of Africa and the US. This should be done in collaboration with centers of excellence in Africa to increase African participation and develop an objective, African point of view regarding US-African trade, intra-African trade and it's link to poverty reduction. Collaboration with US institutions, particularly civil society organizations, in this effort will ensure that redundancies are avoided for the greatest amount of impact.

[BY PERMISSION OF THE CHAIRMAN:]

American Chamber of Commerce
Port Louis, Mauritius
April 29, 2004

Chairman William Thomas
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C.20515

Dear Chairman Thomas:

We are writing in connection with the Ways and Means Committee's April 29, 2004 hearing on H.R. 4103, the AGOA Acceleration Act of 2004, to express our support for this important legislation. The American Chamber of Commerce in Mauritius consists of Mauritian companies that import from or export to the United States and American companies that do business in Mauritius.

We fully support H.R. 4103, including in particular the extension of the lesser developed countries' (LDCs') access to third-country fabric and the technical corrections to AGOA's apparel provisions that permit: (1) use of imported collars and cuffs, (2) commingling of U.S. and African-origin fabric in the same garment, and (3) short supply fabrics to be woven/knit in Africa.

AGOA has been a tremendous success in its first four years, but that success is also fragile. To date, more than 80% of the apparel that has entered the United States under AGOA has been from the LDCs and has been made with third-country fabric. With the expiration of AGOA's third-country fabric provision now less than six months away, the LDCs are confronting the very real prospect of an almost complete collapse of their infant apparel industries that have been created in response to AGOA.

That situation is made all the more threatening by the fact that on January 1, 2005—a mere three months after the scheduled expiration of the LDCs' access to third-country fabric—the Multi-Fiber Arrangement (MFA) system of quotas on textile and apparel imports from the China and the other largest producers in the world is scheduled to terminate pursuant to the Uruguay Round Agreement on Textiles and Clothing.

There can be little doubt that the LDCs' infant apparel industries, suddenly stripped of access to their primary source of inputs and almost simultaneously facing unfettered competition from China, are staring into the face of disaster. Literally hundreds of thousands of jobs are in jeopardy. If these jobs disappear, there are no realistic prospects for alternative employment.

H.R. 4103 would avert this impending crisis by extending the LDCs' access to third-country fabric for three more years to give the LDCs time to adjust to the new rules of origin and the new competition from China and, simultaneously, to allow more time for investment to be made in the African yarn and fabric industry so that it can better meet the input requirements of the garment manufacturers. We fully support H.R. 4103 in order to protect the LDCs from disaster.

But H.R. 4103 does not go far enough in ensuring that the promise of AGOA is realized for all AGOA beneficiaries. Rather, we respectfully suggest that H.R. 4103 should be revised to add special dispensation to permit Mauritius to utilize third-country fabric in order to prevent a crisis in our apparel industry. Similar relief was granted to Botswana and Namibia in the so-called AGOA II legislation enacted in August 2002, when it had become apparent that these non-LDCs were not benefiting from AGOA. The same relief is now needed for Mauritius.

Since AGOA was enacted, apparel imports from the LDCs have increased by more than 250%, leading to the creation of more than 200,000 new apparel jobs. By contrast, during the last 15 months in Mauritius more than 30 apparel factories have closed, costing 12,000 jobs, representing fully 15% of EPZ jobs in Mauritius at the time AGOA was enacted. During March 2003-February 2004, U.S. apparel imports from Mauritius have declined by 15%. Mauritius is the only AGOA beneficiary whose apparel exports have declined to such an extent during this time.

This drop in apparel employment, production and exports is attributable to two factors: (1) increased competition from neighboring LDCs, who have enjoyed the competitive advantage of being able to utilize more plentiful and less expensive third-country fabrics, while we are limited to using only more expensive, less available African or U.S.-origin fabrics; and (2) the prospect of unfettered competition from China, effective January 1, 2005.

Because of the shortage of inputs eligible for duty-free treatment that are available to Mauritius, U.S. importers who used to source apparel in Mauritius have in the past year or two begun placing their orders in LDCs to capture the duty-free benefits of AGOA. By all indications, the situation will only worsen when the MFA quotas on China are lifted at the end of the year. Ironically, if the current trend continues, the new industries in the LDCs may survive the lifting of quotas on China, while our more established apparel sector in Mauritius, deprived of access to essential inputs, is in jeopardy. AGOA is now creating the prospect of the poor having to pay the price of economic development for the poorest. This is not what we had understood AGOA was intended to do.

To prevent further job losses in Mauritius, we respectfully request that H.R. 4103 should be revised to include special temporary relief to allow Mauritius to use third-country fabric during whatever period the LDCs' access to third-country fabric is extended. We appreciate the Committee's consideration of our position on this issue, which is critical to the survival of the Mauritius apparel industry.

Respectfully submitted,

Aleda Koenig
Vice-Chairman

[BY PERMISSION OF THE CHAIRMAN:]

Quatre Bornes, Mauritius
April 29, 2004

Chairman Phil Crane
Ways and Means Trade Subcommittee
U.S House of Representatives
1102 Longworth House Office Building
Washington, D.C.20515

Dear Mr. Chairman,

We are writing on behalf of the following shirt manufacturers and weaving mills of Mauritius regarding the AGOA Acceleration Act of 2004, HR 4103 and to express our strong support for enacting the AGOA Acceleration Act of 2004, HR 4103, including in particular the technical corrections to the apparel provisions:

- Aquarelle Clothing Ltd—Shirt manufacturer with factories located both in Mauritius and Madagascar
- New Island Clothing Ltd—Shirt manufacturer with factory located in Mauritius
- Consolidated Fabrics Ltd—Weaving mill located in Mauritius
- Socota Textile Mills Ltd—Weaving mill located in Mauritius

Our current customers in the USA are Abercrombie and Fitch / J. Crew / Nordstrom / Nautica / Eddie Bauer / Express / Banana Republic / JOS A Bank etc.

Since enactment of AGOA I we have been unable to benefit from the short supply provision under AGOA i.e. exporting duty free with the use of African fabric and African garment making under the short supply provision.

During the same period of time, it is to be noted that our Asian competition has been able to benefit from the short supply provision using Asian fabric with garment making in sub-Saharan Africa.

This situation has caused us serious prejudices in terms of competitiveness and duty savings. We firmly believe that it is totally unfair and against the spirit of AGOA which at the origin was in favor of promoting the African Textile Industry.

Therefore we hereby reiterate our strong support for enacting the AGOA Acceleration Act of 2004, HR 4103, including in particular the technical corrections to the apparel provisions. We also support the need for this to be made retroactive in order to address the inequity of the current situation.

We are at your entire disposal for any further information you may need.

Yours truly,

Eric Eynaud
Marketing Executive
Aquarelle Clothing, Ltd.

Elvis Cateaux
General Manager
New Island Clothing, Ltd.

Eric Thorel
General Manager
Consolidated Fabrics, Ltd.

Olivier Stekelorom
General Manager
Socota Textile Mills, Ltd.

[BY PERMISSION OF THE CHAIRMAN:]

BMD Textiles, Ltd.
Cape Town, Republic of South Africa
May 3, 2004

Chairman Philip Crane
Trade Subcommittee
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C.20515

Dear Chairman Crane

BMD Textiles (Pty) Ltd, is a textile company, involved in fabric knitting, operating in Cape Town, South Africa, specializing in synthetic fabrics for the baseball, football and basketball markets. This written submission is in support of H.R. 4103, AGOA Acceleration Act of 2004.

May we state from the outset that our Company, our Industry and in fact sub Saharan Africa (SSA) is extremely grateful for the initiatives taken in implementing the AGOA legislation that has brought substantial benefits to so many of our people. We are constantly being made aware of the positive effects that the additional job creation that AGOA has resulted in, has had on the people of Africa.

Poverty reduction through the creation of formal employment impacts on so many aspects of life in Africa. Women especially benefit from this income and are now able to feed, clothe and most importantly, educate their children. Investment, poverty reduction and stability in Africa will also impact positively on reducing HIV/AIDS and/or assist families who have lost breadwinners to this disease.

Since it's enactment, BMD has experienced the benefits of AGOA first hand with increased levels of business being conducted with clothing manufacturers for the USA market. We have developed very limited business relations with other African countries such as Lesotho and Swaziland where some of our products are sold to clothing manufacturers in those countries. The reason for this limited success in LDC countries is due to the third country exemption provision of AGOA..

With regard to H.R. 4103, AGOA Acceleration Act of 2004, we would like to make the following submissions:

1. The extension of AGOA through to 2015 is fully supported as this will provide long term benefits, stability and certainty for existing and potential investors.
2. We are aware that the intention of AGOA is to create sustainable development and trade in and with Africa. This can only be achieved by ensuring that the Textile and Clothing supply chain remains integrated and that a climate of certainty and stability is created with regard to the third country exemption extension.
3. Whilst not ideal, we accept that a two year extension followed by a one year phased down approach is a reasonable compromise proposal under the circumstances. This should provide ample time to build sufficient textile capacities. However, unless this date is implemented, there is a very real chance that the long term success of AGOA will be undermined and that sustainable

development will be severely compromised. We would therefore urge that the termination of the third county exemption input at the end of the third year be final and unambiguous so that investor confidence can be created.

4. In order to further encourage investment confidence, mechanisms currently available to the United States Government to assist investors in Africa would be welcome. This would for example require current restrictions on the Overseas Private Investment Corporation to be lifted.
5. We would support any efforts to correct the technical difficulties with regard to interpretation that seem to have occurred. In addition to correcting these unintended errors of interpretation, we would like to see the new legislation provide for more flexible interpretation, based on the spirit and intent of the Legislature.

Finally, whilst the above submission is made in the interests of the Textile and Apparel Industry, we are aware that proposed changes to AGOA would have significant benefits in the Agricultural sector as well. Acknowledging that we are not competent to comment on agricultural matters, we are aware that this sector employs between 70% and 80% of the labour force in SSA and any benefits of sustainable development in this area of the African economy would be vigorously supported.

Respectfully submitted

Dr. H. Prader
Executive Chairman

Statement of Dollar General Corporation, Goodlettsville, Tennessee

This is the statement of Dollar General Corporation ("Dollar General") urging the prompt passage of the AGOA Acceleration Act of 2004 (hereinafter "H.R. 4103" or the "Bill").

Dollar General is a customer-driven distributor of consumable basics. Our niche is profitable small stores delivering convenience and value. We deliver this value by offering our customers good quality at an everyday low price on both national brands and private label goods. Included in our private label program is a large portion of our imported apparel. The apparel is manufactured in a variety of countries including Bangladesh, Indonesia, India, Cambodia, Philippines, Thailand, Vietnam, and sub-Saharan Africa.

Dollar General applauds the Subcommittee on Trade for taking up this important issue. The continued development of the economies of sub-Saharan Africa is crucial to the advancement of democracy in the region. While these economies have made significant strides in the textile and apparel sector since the enactment of the African Growth and Opportunity Act in 2000 ("AGOA"), the reality is that much of these gains will be forfeited unless the third-country fabric provisions are extended. In addition, Dollar General requests a change in the Bill as introduced to redress a significant problem experienced by Dollar General and others.

Section 7(c) of the Bill would amend Section 112(d), 19 U.S.C. 3721(d), to make it clear that the use of imported collars or cuffs would not disqualify a garment otherwise eligible for the third-country fabric preference. This is a very welcome clarification.

This clarification would not have been necessary had the agency responsible for implementing AGOA, United States Customs and Border Protection ("CBP"), interpreted AGOA to effectuate the clear purpose of the legislation. However, CBP adopted an unnecessarily narrow interpretation of AGOA with the result that a variety of the types of garments an emerging apparel industry can be expected to produce have been denied the AGOA preference. The merchandise most directly affected by the narrow interpretation is polo shirts. CBP ruled that because the collar and cuff components were not *fabric*, polo shirts cut and sewn in AGOA countries with third-country fabric were not eligible for the preference. The collars and cuffs typically were imported in rolls, but separated by various types of dividing lines. CBP ruled that these rolls were not considered fabric. This decision eliminated the ability of the lesser-developed AGOA countries to manufacture polo shirts because the collar and cuff must be produced from the same yarn dye lot and at the same time as the body fabric to ensure accurate color matches.

This decision caused many importers to pull out of sub-Saharan Africa. This was a very unfortunate development and has retarded the development of the apparel industry in sub-Saharan Africa. Apparel industries do not begin by making complicated tailored garments. They begin with basic garments like polo shirts and move to more complicated, higher value added production. The Bill will eliminate this impediment to growth and development.

The proposed change will would eliminate future problems with respect to collars and cuffs. However, the manner in which the change is effected could have an adverse impact on the argument that polo shirts made with imported collars and cuffs qualify under subsection 112(b)(3)B as originally enacted. We strongly believe that the interpretation of the provision by CBP was overly narrow and inconsistent with the desire of Congress to encourage trade with the lesser-developed sub-Saharan African countries. Dollar General and others should have the opportunity to make that argument. Accordingly, we ask that section 7(c) of the Bill be revised to read as follows:

> (3) COLLARS AND CUFFS. An article otherwise eligible for preferential treatment under this section will not be ineligible for such treatment because the article incorporates collars and cuffs (cut or knit-to-shape) that were not produced in an eligible beneficiary sub-Saharan African country.

This minor change will accomplish the same clarification as the current version of the Bill.

Section 8 of the Bill makes certain provisions retroactive to the 2000 enactment of AGOA. This treatment is extended to apparel articles that meet the requirements of "Section 112(b) of the African Growth and Opportunity Act (as amended by section 3108 of the Trade Act of 2002 and this Act)."

Polo shirts made with imported collars and cuffs will meet the requirements of Section 112(b). However, the change that makes this possible is not an amendment to section 112(b). It is an amendment to section 112(d) which applies only to section 112(b).

The cuff and collar provision should be placed on the same footing as other clarifications of section 112(b) eligibility requirements. In order to ensure that the effective date provision is implemented correctly, we ask that section 8(d) of the Bill be revised by adding at the end the following:

> and apparel articles that meet the requirements of section 112(b) after applying section 112(d)(3) as added by this Act.

We believe that this revision will redress the disadvantage to which Dollar General and others were placed because of the erroneously narrow interpretation of the third-country fabric provision of AGOA by CBP.

Dollar General appreciates the opportunity to express its views on the Bill and urges that they be considered favorably by the Congress.

Duro Industries
Fall River, Massachusetts 02724
May 4, 2004

Chairman Philip Crane
Trade Subcommittee
Committee on Ways & Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Crane:

We are writing in connection with the Ways and Means Trade Subcommittee's April 29,2004 hearing on H.R. 4103, the AGOA Acceleration Act of 2004, to express our support for this important legislation.

Duro Industries is a major U.S. manufacturer of fabrics used as linings for jackets & coats. Encouraged by the new opportunities for trade created by the African Growth & Opportunity Act (AGOA), Duro has sold significant volumes of lining fabric to jacket/coat manufacturers in AGOA countries. U.S. Customs and Border Protection (CBP) has managed single-handedly to virtually destroy this export opportunity and, in the process is on the verge of causing the loss of thousands of jobs here in the United States and tens of thousands of jobs in Africa, by its unbelievable interpretation of AGOA that prohibits commingling U.S. and African fabric in the same garment. According to CBP, a garment made of 100% African fabric is eligible under AGOA, and a garment made of 100% U.S. fabrics is likewise eligible. But a garment made of both U.S. and African fabric is ineligible. This bizarre interpretation turns the intent of Congress on its head.

H.R. 4103 would make technical corrections to AGOA's apparel provisions, inter alias, to confirm that Congress intended to allow commingling of U.S. and African-origin fabric in the same garment. Equally important, the bill authorize retroactive duty refunds for goods imported since AGOA took effect in 2000 that meet the AGOA eligibility standards as amended by the bill.

These technical corrections are absolutely essential to prevent the loss of literally thousands of jobs in both the United States and Africa. Moreover, it is only equitable to authorize retroactive duty refunds for products that were imported since AGOA was enacted and that would have qualified for duty-free eligibility but for CBP's past rulings that have been inconsistent with the intent of Congress.

We appreciate the opportunity to present our views to the Trade Subcommittee on these important issues. Please let us know if you require additional information or if we may be of assistance.

Respectfully submitted

William J. Milowitz
Vice President

Eastman Chemical Company, Voridian Division
Kingsport, Tennessee 37662
May 4, 2004

Chairman Philip Crane
Trade Subcommittee
Committee on Ways and Means
U. S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Crane:

Thank you for the opportunity to express our opinions regarding H.R. 4103, "AGOA Acceleration Act of 2004," and issues raised during the Trade Subcommittee's Hearing on this important Bill on April 29.

Eastman Chemical Company's Voridian Division, located in Kingsport, Tennessee manufacturers acetate filament yarn that is used by our customers in a variety of textile applications. One of the largest applications of acetate filament yarn is in the production of woven lining fabrics that are used in tailored apparel such as suits and sport coats. In fact, our largest U.S. customers for acetate filament yarn weave such lining fabrics.

As you know, the textile industry in the U.S. has been under tremendous competitive pressure from lower-cost imports from a number of countries including China. As a result, many of our domestic textile mills and apparel producers have been forced to close their doors, and employment in the U.S. textile industry is in a downward spiral.

When the Trade and Development Act of 2000 (PL 106–200) extended certain trade benefits to the countries of Sub-Saharan Africa, we supported the initiative because we saw benefits not only for the developing countries of Africa, but also for the textile industry of the U.S. The yarn-forward and fabric-forward rules of origin included in PL 106–200 meant that U.S. textile mills would also share in the growth that was expected to occur in the embryonic textile industries of the Sub-Saharan African nations. This meant that our U.S. customers who weave acetate lining fabrics could export their product to AGOA-qualified countries to be made into apparel that would qualify for duty-free status when imported into the U.S.

We further supported the concept of "co-mingling" fabrics from the U.S. and qualifying African countries to produce apparel that would qualify for duty-free status when imported into the U.S. We support the concept of retroactively qualifying such co-mingled apparel that was denied duty-free status by Customs.

We continue to believe that AGOA should provide benefits to the U.S. textile industry, along with benefits to countries in Sub-Saharan Africa, and could not, and cannot, support provisions that allow Sub-Saharan African countries to use "third-country" fabrics in the production of apparel to be granted duty-free status when imported into the U.S., if such fabrics are produced in sufficient quantity and are commercially available in the U.S. or one, or more, of the qualifying African countries. Specifically, tailored apparel items assembled in qualifying Sub-Saharan African countries should contain lining fabrics made in the U.S. or one of the qualifying Sub-Saharan countries to qualify for duty-free treatment since these fabrics are produced in the U.S. and in one, or more, of the Sub-Saharan countries in sufficient quantities.

Eastman Chemical Company supports the extension of the AGOA proposed in H.R. 4103, but cannot support provisions of the Bill that would allow the use of "third-country" fabrics, if such fabrics are produced in sufficient quantity in the U.S. or one of the qualifying Sub-Saharan African countries. It is our belief that to allow the use of such fabrics will be detrimental to the textile industry of the U.S., to our customers who produce acetate lining fabrics and to Eastman Chemical Company, as a producer of acetate filament yarn.

Thank you for the opportunity to express our opinions on H.R. 4103.

Sincerely yours,

Richard L. Johnson
Group Vice President, Fibers

House of Dreams, Inc.
New York, New York, 10023
May 3, 2004

Chairman Philip Crane
Trade Subcommittee
Committee on Ways & Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Committee Members,

I wish to thank you for considering the comments I express below.

House Of Dreams, Inc. (hereafter referred to as HOD), designs and markets apparel to American retailers. It manufactures garments in Europe and Sub Saharan Africa. Being an immigrant from Africa, I was delighted when the AGOA act was promulgated in 2000, not because it would be beneficial to my corporation, but because it would be beneficial to Africa as a whole as well as the American consumer. It made sense. At the first opportunity I shifted production from Europe to facilities in Africa. Africa was my place of birth, and I was proud to participate in developing its economy, albeit indirectly. I did not want to take advantage of the so called cheap labor markets, but rather really wanted to assist in fostering trade between Africa and the USA by improving infrastructure and providing my knowledge of the USA markets to companies in Sub Saharan Africa. However, soon after AGOA was introduced I became disillusioned by the realities of AGOA—here is my opinions as to what the problems with AGOA are, as presently implemented.

1. US Customs Department does not support AGOA. Rather, they attempt to interpret AGOA to facilitate the imposition of duties on product that, I believe, was contemplated to be duty free by the writers of AGOA. This is problematic because the adopted version of AGOA was unclear in many areas, when viewed in hindsight, and US Customs in such situations and in the absence of clarity, interpreted AGOA from a strict legal interpretation of the text *without due consideration to the spirit of the agreement.*

To illustrate my point, I present the following case history of an actual event that I encountered. Among the many apparel categories that my company designs and markets, Mens dress shirts are one category that we imported from Sub Saharan Africa. The dress shirts we market are made from an exceptionally fine count cotton (170/2 me). Prior to shifting production of these shirts from Europe to Sub Saharan Africa, I investigated whether such product would qualify for duty free entry into the US, in terms of AGOA. AGOA was not clear on this point. The short supply provisions seemed to suggest that provided the yarn used was in short supply (as contemplated by S12(t)), the yarn could be imported and woven into fabric in Sub Saharan Africa, and the resultant garment would then enter duty free. The act was clear that such would be the case if it was a womens blouse, but did not provide the same clarity if it was a mans shirt (sexual discrimination at the very least). Having followed AGOA from the earliest discussions to it's eventual passing, I was aware that the intent of AGOA was to provide relief in the form of duties such that it could facilitate increased trade between the two continents, whilst simultaneously preserving and protecting the textile and apparel industry in the USA. To this end, I contacted nearly every spinner of cotton fiber in the USA and asked if they could spin yarn of the fine cotton count required. Every spinner responded in writing that they could not. Despite the mill in Africa being able to weave such fine cotton, no mill in Africa was able to spin cotton of that count either. As AGOA requires either the yarn to be of African or US origin, or a short supply fabric for the resultant garment to qualify for duty free entry, I sought clarity from US Customs. All the information was given to US customs in writing and an opinion from them was sought. Soon after submission, US customs verbally communicated that they believed that the yarn was in fact in short supply, and accordingly agreed with my interpretation that it would be possible to import the yarn from Europe, weave the fabric in Africa and manufacture the garment in Africa and this would qualify for duty free entry into the US under S12(t). However, they did suggest that I request a formal written binding ruling, which I immediately submitted (March 19th 2001). As my company was the first to attempt this, the US customs in the US, communicated this to their officers in Mauritius (the country in which the fabric and garments were to be made), such that the officers there would authorize and issue the necessary certificates, which need accompany the shipments at time of export. The Mauritian Minister of Trade also investigated this matter prior to issuing any visas, and he too was convinced that such garments were duty free in terms of AGOA. Further, I spent considerable time and money assisting the mill in Mauritius develop the necessary expertise to manufacture such high quality fabric. You see the point of my shifting production from Europe to Africa was not for cheap labor—the garments I manufacture are high end product that is not particularly sensitive to price—but rather because I spent 30 years of my life in Africa, I know what Africa's economic obstacles are. Africa has abundant raw material and mineral resources, which they have exported for years, but unfortunately never, had the expertise to add value to such product. My desire was to uplift the mills and garment manufacturers level of expertise such that they can compete not on "price" but rather on quality. The mill in Mauritius was overjoyed, and soon the type of cloth I encouraged them to develop became one of their major product lines. Profits improved, as did their ability to share such profits with their workforce by improving wages and work conditions. I was treated like a hero. After importing such shirts for almost one year, a binding ruling was eventually received from US Customs (February 28, 2002). To my horror, not only did they reverse course, but they also sought duty on past shipments as well as shipments that had just been presented to Customs for clearance. To add insult to the injury, their written ruling concluded "Subheading 9819.11.21, HTSUS, specifies that, in regard to articles cut and assembled in a beneficiary sub-Saharan African country from fabric (as in this case), the fabric must be formed other than in "the United States or a beneficiary sub-Saharan African country". The irony of the US customs interpretation is best illustrated by the fact that it would extend duty free status to shirts made from Chinese origin fabric, while disqualifying shirts made from African or US origin fabric. This clearly could not have been congress' goal.

One can only imagine the cash flow and profitability problems this created. We formally objected to their interpretation of AGOA and continued importing the items, paying the duty under "objection" until the matter was resolved. In January 2004, US Customs advised that our complaint was overruled and that they are sticking to their interpretation of AGOA, despite CITA agreeing with our interpretation by clarifying that such garments do qualify as duty free, as published in the federal register in October 2003.

How can AGOA work if Congress, US Customs And CITA are not ad idem? Further, I suggest that a year is an unacceptable period of time to wait for a response for clarification. In order for business on both continents to flourish and consequently the objectives of AGOA to be achieved, business requires clarity if not certainty in a timelier manner. No businessperson will invest in maximizing and developing trade between the continents when such ambiguity exists. In the interim, my business has suffered, and the Mauritian mill was left devastated.

I further entered into a major technology agreement with the premier worsted wool supplier in the world—Dormeuil Ltd., whereby at my expense, they shared technology and know how with mills in South Africa. This technology and know how enabled the mills (who have suffered a lack of expertise as a result of the years of isolation from international trade), produce world-class quality fabrics, suitable for the better end mens tailored clothing market in the USA. I subsequently terminated this contract (much to the dismay of the mills in South Africa), because of the attitude of US Customs and the lack of clarity that AGOA provides. This was a great shame, but I cannot fight the US Customs single-handed. As South Africa has progressed democratically and economically, the wage rates have risen and they can no longer compete on price. Unfortunately, due to both the lack of mills in the USA or Sub Saharan Africa producing fabric desired by the US markets, they cannot now even compete on quality. This was my initial concern with AGOA and was the reason why I believed that it was important to invest in providing the technology to the sub Saharan mills. My opinion is the lack of consensus between congress and US Customs is to blame, and certainly to blame for me ceasing to pay and provide the required technology. If the intention of AGOA is to assist Africa in it's economic development in the long term, AGOA and the various US government bodies responsible for it's implementation must not obstruct the development of the "added value" processing in Africa. This is made clear by the comparative export volume differences between the LDC's and NON LDC AGOA beneficiary countries.

2. I fully support the retroactivity provision being discussed as part of AGOA 111. This will at least provide a basic level of comfort to businesses that require clarity on an AGOA issue, but are uncomfortable with the time it takes to get clarification. In the case study illustrated above, I concluded that a year is an unreasonable period for a business to wait for clarity. However, I am a realist and if this time frame cannot be improved upon, at least a businessperson such as myself who made every good faith effort to obtain clarity before importation can at least be refunded should clarity be forthcoming down the line.
3. I further support the proposal to allow the use of third country trims, commingling of US And African fabrics and partial assembly of garments in both the US and Africa.

In Conclusion, I strongly urge congress to modify AGOA such that obstacles to trade that do not impact US manufacturers be removed for example, many components of a garment such as trims and fusible's are not readily available in the US or Africa, and such a restriction that the source of such items must be principally from US or African origin, merely impedes trade and simultaneously does not protect US business because they are not available from US manufacturers. Until such obstacles are removed, and unless it allows for regional weaving of fabrics in Africa from imported yarn, I firmly believe that the objectives of AGOA will not be achieved.

Thank you for your consideration of the above points.

Yours Sincerely,

Stanley Lerman
CEO & President

Jaysix USA, Inc.
Fredericksburg, Virginia 22401
May 03, 2004

Chairman Phil Crane
Ways and Means Trade Subcommittee
US House of Representatives
1102 Longworth House Office Building
Washington DC 20515

Dear Sir,

We would like to express our strong support for enacting the AGOA Acceleration Act of 2004, HR 4103, including in particular the technical corrections to the apparel provisions.

Our company was established in 2001 in the USA, to import apparel (mainly men's shirts) from AGOA countries. After proving that we had good technical expertise and a price advantage over competing countries, we have obtained orders from well known US retailers such as Jos A Banks, Federated Stores and Brooks Bros.

However, when US Customs required that short supply fabrics not be woven in Africa, our pricing became uncompetitive with shirts made from short supply fabrics originating from China which can also be imported without duty. As a result, orders from our customers have almost completely dried up. It has been particularly difficult to substantiate our position, when our customers discovered that ladies shirts from AGOA countries can be imported without duty. Especially as the only difference between men's and ladies shirts is the side on which buttons are placed.

In addition, as we had accepted long term seasonal orders before the abovementioned Customs rulings came into effect, we have had to bear the cost of import duty on these orders, which we had contracted to deliver to our customers. As a young Company this unplanned financial burden has been particularly difficult to bear.

In light of the above, we express our strong support to the Ways and Means Committee to enact the AGOA Acceleration Act of 2004, HR 4103, so that the disadvantage which men's shirts made from short supply fabrics of AGOA origin are currently subjected to, can be rectified. We also express our strong support that this be made retroactive in order to address the inequity of the current situation.

Yours truly,

Guy Prudhomme
President

Statement of Rodney Birkins, Jr., J.C. Penney Purchasing Corporation, Plano, Texas

These written comments will address the critical importance of extending the current AGOA benefits and are being submitted on behalf of J.C. Penney Corporation Inc. and J. C. Penney Purchasing Corporation. I am the President of the J. C. Penney Purchasing Corporation ("JCPPC"), the global procurement arm for merchandise for sale in JCPenney's retail, catalog and internet operations. Eighty percent of JCPenney sales are textile and apparel related. My comments regarding the extension of current AGOA benefits will be directed at the textile and apparel industry, and specifically at the future ability of AGOA apparel manufacturers to use third country fabric.

Within my capacity as President of JCPPC, I am responsible for the development of our strategic sourcing plans and managing the assets to support our global merchandise procurement. We currently purchase and import merchandise from 55 countries world wide and from all areas of the globe ranging from nearby Mexico to China and Southeast Asia to the countries of the Sub-Saharan Africa. Last year alone, JCPPC's international purchases of goods were valued at $7 billion retail. Our extensive global sourcing experience places JCPenney in a unique position to understand and comment on the proposed AGOA trade legislation and its potential impact on the sourcing decisions of U.S. purchasers.

The positive impact of AGOA is quite evident. The AGOA benefits that allow duty free treatment for goods meeting specific criteria have provided the impetus for foreign and local investment and fueled the creation of much needed jobs within the region. One area where jobs have been created is the apparel manufacturing industry. U.S. purchasers have responded favorably to the AGOA countries as a source for product. U.S. imports of apparel under AGOA have risen from approximately 75 million SMEs in 2001 to over 300 million SMEs in 2003. As the attached chart indicates, the vast majority of AGOA apparel is made with third country fabric. AGOA, with the provisions allowing the use of third country fabric, has provided a glimmer of hope to a region of unparalleled poverty.

However, now there is a dark cloud on the horizon and unless changes are made to the proposed AGOA Acceleration Act of 2004, the prior economic gains achieved under the Trade Act of 2002 could be lost. I do not make this pronouncement lightly. This is a critical moment in the history for the Sub-Saharan economies and the fledging apparel manufacturers in those countries. Already, the removal of quotas on textiles and apparel in 2005 has created global changes in apparel manufacturing patterns. These changes coupled with the uncertainty of AOGA manufacturers' future ability to utilize third country fabric are starting to take its toll on the apparel manufacturers in the region. As we speak, AGOA apparel factories are being emptied. Orders are being shifted out of the region. The uncertainty concerning the future use of third country fabric, beyond AGOA's current expiration date, is the driving factor. The ability of U.S. importers to obtain duty free treatment for apparel produced with third country fabric is vital to the survival of the AGOA region as a producer of apparel.

Let me take a few moments to explain the necessity for AGOA apparel manufacturers to have the flexibility to use third country fabric in AGOA apparel products. Today, decisions where to source merchandise are driven by quota availability. 2005, with the elimination of quotas on textiles and apparel, will see a period of great change to sourcing patterns. Instead of being driven by the artificial constraints of quotas, sourcing decisions will become more rationalized and will be based upon sound business reasons. Post 2005, common themes among businesses sourcing world wide are:

- The reduction in the number of countries where merchandise is sourced. This will allow businesses to take advance of volume discounts that were previously unavailable under the quota system.

- The reduction in the number of companies or suppliers that a business deals with. This will allow businesses to develop long terms relationships with a few reliable key suppliers.
- Global deflation of 8%–18% in the prices of textiles and apparel resulting from:
- Elimination of quota charges
- Use of the most efficient supply chains
- Over capacity within the apparel manufacturing industry

Many wrongly assume that retailers are look for the lowest price when making sourcing decisions. I will not deny that price is important, but actually, the most important criteria is the speed of the sourcing timeline. The merchandise JCPenney purchases runs the gamut from core commodities to high fashion items. Each of these has a different sourcing timeline. High fashion has a short shelf life and by necessity a short production timeline. Core commodities have more flexibility in sourcing and have a longer sourcing timeline. Countries must meet the relevant timeline requirement to be considered as a potential source country.

Once a decision is made on the relevant timeline, price enters into the sourcing decision matrix. The speed and price components are not static in the decision making process, but are like counterweights on a scale. The shorter the sourcing timeline, the greater the price of the product. Conversely, the longer the production lead time the less we will pay for a product. This relationship of speed and price relates directly to the risk assumed by JCPenney. The greater the sourcing timeline, the greater the risk that the product will not meet the needs and fashion tastes of JCPenney customers. The shorter the sourcing timeline, the less risk JCPenney assumes regarding its ability to sell a particular product. So, with longer lead time production areas, importers and retailers expect lower pricing to offset the elevated risk.

The AGOA region has one of the longest sourcing timelines in the world due in part to the lengthy transit time between Africa and the U.S. Under AGOA and the resulting duty free treatment of complying products, this region gained a competitive advantage and became more attractive as a sourcing region. Not being restricted by quota availability has added to the attractiveness of the region over the last few years. However, this particular competitive advantage will go away in January of 2005. The elimination of quotas in 2005 heightens the need for AGOA apparel manufacturers to be cost competitive.

To determine the cost competitiveness of AGOA apparel, we need to break it down to the cost components:

- Transportation costs per container out of the AGOA region are approximately double the transportation cost per container from East Asia. Additionally, transit times from AGOA countries average approximately 40 days while transit time from East Asia averages 14 days.
- While wage rates in the AGOA are lower than many other apparel manufacturing countries, the productivity of the AGOA labor force averages about 60% of industry standard. The low productivity means that even with a lower wage rate, the labor cost in a garment is relatively high.
- Plant and equipment expense are higher in the garment cost. Since fewer garments are produced in the facility due to the low sewing productivity, a greater fixed asset cost is charged to each garment.
- Fabric costs—The hope, when AGOA was originally crafted, was that a textile industry would develop within the region to support the Sub-Saharan apparel industry. With limited exceptions, that hope has not been realized. The high cost, approximately $80–$100 million, of establishing a textile plant has proved too expensive for a region with limited economic resources. The uncertainty of the global apparel manufacturing industry as a result of the end of quota in 2005 is another deterrent to the establishment of regional textile factories. As a result, although there is some regional fabric production, the amount of regional fabric currently produced falls substantially short of the demand by AGOA apparel manufacturers. Additionally, regional fabric runs 15%–20% higher than fabric purchased in the global markets. Today, regional fabric is used in only about 14% of total AGOA apparel production.
- Duty costs—a typical cost component for textile products is the amount of duty an importer is required to pay on the product. The duty free treatment accorded AGOA products helps to partially offset the higher costs for AGOA products

However, duty elimination alone is not enough. When all of the cost components are factored in, the costs of sourcing apparel in AGOA countries is high and non-competitive. High costs with long lead times are a combination which will spell disaster for the apparel manufacturers in the AGOA region and will send business to other competing economies.

The only hope for the AGOA region to remain competitive is the extension of the ability to use third country fabric. Third country fabric is vital to the very survival of the apparel manufacturing in the AGOA region. Without access to textiles from the most competitive markets, the AGOA countries will have difficulty competing in the marketplace of the future.

The current AGOA legislation planted a seed of hope of economic growth for this region. This growth is now being slowly realized. Failure to all continued use of third country fabric will crush the fledgling apparel manufacturing industry and with it the economic benefits already gained. With the passage of the AOGA Acceleration Act of 2004, Congress has an opportunity to provide for real economic gains for the AGOA region not just illusory benefits.

The proposed legislation provides only for a 2 year extension of third country fabric at the current levels with a phase out in the third year. 2005 will radically change the global manufacturing playing field and be a period of hyper-competitiveness. This will create a time of great uncertainty. It is unrealistic to expect major investment in textile production within the AGOA region during this period of transition and market adjustment.

To provide U.S. importers and AGOA manufacturers stability, the AGOA Acceleration Act of 2004, with the extension of third country fabric, must be passed and passed quickly. JCPenney strongly urges that the third country fabric allowance be extended permanently, or at a minimum that this allowance is extended for a period of 7 years. This period of time will allow AGOA countries to continue realizing the benefits of AGOA through apparel production while providing an adequate transition time for the potential establishment of a viable regional textile manufacturing industry.

[BY PERMISSION OF THE CHAIRMAN:]

Mauritius Export Processing Zone Association
Port Louis, Mauritius
April 29, 2004

Chairman William Thomas
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Thomas:

We are writing in connection with the Ways and Means Committee's April 29, 2004 Hearing on H.R. 4103, the AGOA Acceleration Act of 2004, to express our support for this important legislation. The Mauritius Export Processing Zone Association (MEPZA) is the trade association of the apparel and other manufacturers that operate in the Export Processing Zone in Mauritius.

We fully support H.R. 4103, including in particular the extension of the lesser devloped countries' (LDCs') access to third-country fabric and the technical corrections to AGOA's apparel provisions that permit: (1) use of imported collars and cuffs, (2) commingling of U.S. and African-origin fabric in the same garment, and (3) short supply fabrics to be woven'knit in Africa.

AGOA has been a tremendous success in its first four years, but that success is also fragile. To date, more than 80% of the apparel that has entered the United States under AGOA has been from the LDCs and has been made with third-country fabric. With the expiration of AGOA's third-country fabric provision now less than six months away, the LDCs are confronting the very real prospect of an almost complete collapse of their infant apparel industries that have been created in response to AGOA.

That situation is made all the more threatening by the fact that on January 1, 2005—a mere three months after the scheduled expiration of the LDCs' access to third-country fabric—the Multi-Fiber Arrangement (MFA) system of quotas on textile and apparel imports from the China and the other largest producers in the world is scheduled to terminate pursuant to the Uruguay Round Agreement on Textiles and Clothing.

There can be little doubt that the LDC's infant apparel industries, suddenly stripped of access to their primary source of inputs and almost simultaneously facing unfettered copmetition from China, are staring into the face of disaster. Litterally hundreds of thousands of jobs are in jeopardy. If these jobs disappear, there are no realistic prospects for alternate employment.

H.R. 4103 would avert this impending crisis by extending LDCs' access to third-country fabric for three more years to give the LDCs time to adjust to the new rules of origin and the new competition from China and, simultaneously, too allow more time for investment to be made in the African yarn and fabric industry so that it can better meet the input requirements of the garment manufacturers. We fully support H.R. 4103 in order to protect LDCs from disaster.

But H.R. 4103 does not go far enough in ensuring that the promise of AGOA is realized for all AGOA beneficiaries. Rather, we respectfully suggest that H.R. 4103 should be revised to add special dispensation to permit Mauritius to utilize third-country fabric in order to prevent a crisis in our apparel industry. Similar relief was granted to Botswana and Namibia in the so-called AGOA II legislation enacted in August 2002, when it had become apparent that these non-LDCs were not benefiting from AGOA. The same relief is now needed for Mauritius.

Since AGOA was enacted, apparel imports from the lDCs have increased by more than 250%, leading to the creation of more than 200,000 new apparel jobs. By contrast, during the last 15 months in Mauritius more than 30 apparel factories have closed, costing 12,000 jobs, representing fully 15% of EPZ jobs in Mauritius at the time AGOA was enacted. During March 2003-February 2004, U.S. apparel imports from Mauritius have declined by 15%. Mauritius is the only AGOA beneficiary whose apparel exports have declined to such and extent during this time.

This drop in apparel employment, production and exports is attributable to two factors: (1) increased competition from neighboring LDCs, who have enjoyed the competitive advantage of being able to utilize more plentiful and less expensive third-country fabrics, while we are limited to using only more expensive, less available African or U.S. origin fabrics; and (2) the prospect of unfettered competition from China, effective January 1. 2005.

Because of the shortage of imputs elligible for duty-free treatment that are available to Mauritius, U.S. importers who used to source apparel in Mauritius have in the past year or two begun placing their orders in LDCs to capture the duty-free benefits of AGOA. By all indications, the situation will only worsen when the MFA quotas on China are lifted at the end of the year. Ironically, if the current trend continues, the new industries in the LDCs may survive the lifting quotas, while our more established apparel sector in Mauritius, deprived of access to essential inputs. Agoa is now creating the prospect of the poor having to pay the price of economic development for the poorest. This is now what we had understood AGOA was intended to do.

To prevent further job losses in Mauritius, we respectfully request that H.R. 4103 should be revised to include special temporary relief to allow Mauritius to use third-country fabric during whatever period the LDCs' access to third-country fabric is extended. We appreciate the Committee's consideration of our position on this issue, which id critical to the survival of the Mauritius apparel Industry.

Respectfully submitted,

Danielle Wong
Director

Statement of Maurice Vigier de Latour, Chairman, Mauritius-U.S. Business Association, Inc.

The Mauritius-U.S. Business Association Inc. (MUSBA) commends the Committee on Ways and Means for holding hearings on the AGOA Acceleration Act of 2004, H.R. 4103. MUSBA is a bilateral trade association whose members are private sector companies, business organizations, and individuals in Mauritius and the United States who are engaged in mutually beneficial trade and investment between the two countries.

The African Growth and Opportunity Act (AGOA) has been a huge success in its first four years by creating literally hundreds of thousands of new jobs in Africa, establishing opportunities for sustainable economic development in the world's poorest region, and building a new foundation based on hope, mutual benefit and friendship for the long term economic relationship between Africa and the United States. These economic successes in turn have reinforced the strong movement in Africa toward democracy, political stability, peace and respect for human rights.

But while AGOA's success has been noteworthy, it is also fragile. The cornerstone of AGOA is its system of trade preferences (quota-free/duty-free access to the U.S.

market) for apparel made in Africa that meets the AGOA rules of origin. For AGOA's first four years (October 2000-September 2004), these rules of origin have permitted the less developed AGOA beneficiaries (LDCs) to utilize yarns and fabrics imported from outside Africa or the United States, so-called "third-country fabric." Thereafter, AGOA as originally enacted would require that only yarns/fabrics made in Africa or the United States be used.

To date, more than 80% of the apparel that has entered the United States under AGOA has been from the LDCs and has been made with third-country fabric. With the expiration of AGOA's third-country fabric provision now less than six months away, Africa is confronting the very real prospect of an almost complete collapse of the infant apparel industry that has been created in response to AGOA.

The situation is made all the more tenuous by the fact that on January 1, 2005—a mere three months after the scheduled expiration of the LDCs' access to third-country fabric—the Multi-Fiber Arrangement (MFA) system of quotas on textile and apparel imports from the largest and most competitive producers in the world is scheduled to terminate pursuant to the Uruguay Round Agreement on Textiles and Clothing.

There can be little doubt that the infant apparel industries of Africa, suddenly stripped of access to their primary source of inputs and almost simultaneously facing unfettered competition from China, are staring into the face of disaster. Literally hundreds of thousands of jobs are in jeopardy in countries where the unemployment rates average nearly 50%. If these jobs disappear, there are no realistic prospects for alternative employment. The hopes and aspirations of literally millions of Africans hang in the balance.

The AGOA Acceleration Act would address this impending crisis by extending the LDCs' access to third-country fabric for three more years to give the LDCs time to adjust to the new rules of origin and the new competition from China and, simultaneously, to allow more time for investment to be made in the African yarn and fabric industry so that it can better meet the input requirements of the garment manufacturers.

When AGOA was enacted in 2000, it was thought that four years should be a long enough period of access to third-country fabric to "jump start" the apparel sector in the LDCs. It must be remembered, however, that at that time China was not a member of the WTO and, therefore, the MFA quotas on China were not scheduled to be phased out. In the meantime, China has joined the WTO. As a consequence, the fundamental assumptions on which the September 30, 2004 expiration date for third-country fabric was based have been completely changed. It is no longer reasonable to assume that the infant apparel industries created from scratch in the African LDCs during the past four years should be mature enough to go toe-to-toe with the world's largest and lowest cost producer of textiles and apparel. These changed circumstances cry out for an extension of AGOA's third-country fabric provision.

Time is already running out for the LDCs. Orders are being cancelled today, as U.S. importers conclude they cannot tolerate the uncertainty of whether their cargoes will be duty free after September 30, 2004. African workers are already being laid off as their factories are losing business. H.R. 4103 must be enacted as quickly as possible, and well before September 30, 2004, in order to prevent the destruction of what AGOA has accomplished so far.

Although enactment of H.R. 4103 is of critical importance, the AGOA Acceleration Act does not go far enough in protecting the promise of AGOA. Rather, we respectfully suggest that H.R. 4103 should be revised to add special dispensation to permit Mauritius to utilize third-country fabric in order to prevent a crisis in its apparel industry. Similar relief was granted to Botswana and Namibia in the so-called AGOA II legislation enacted in August 2002, when it had become apparent that these non-LDCs were not benefiting from AGOA.

While more than 200,000 new apparel jobs have been created in LDCs across Africa in response to AGOA, more than 30 apparel factories have closed in Mauritius, costing 12,000 jobs, all in the last 15 months. It is ironic that Mauritius, which was deemed too competitive to warrant access to third-country fabric when AGOA was enacted, has now lost 15% of the apparel industry jobs it had at that time.

This contraction of the Mauritian apparel industry is reflected in the official import statistics maintained by the U.S. Department of Commerce, which report that apparel imports from Mauritius have dropped 15% during the 12-month period March 2003-February 2004. While apparel imports from the AGOA LDCs have grown by 228% since AGOA was enacted in 2000, apparel imports from Mauritius have not kept pace. Rather, apparel imports from Mauritius have grown by just 13% since 2000, which is less than the 19% increase in U.S. apparel imports from all origins. Thus, while Africa's share of the U.S. apparel import market has more than doubled since AGOA was enacted, Mauritius is losing market share. In other words, Mauritius received little or no benefit from AGOA during 2000–02; even more troubling, beginning in 2003 and continuing to date, Mauritius is actually being harmed by AGOA as its exports to the United States are falling.

It is ironic that Mauritius should be suffering declining apparel exports to the United States because Mauritius has probably done more than any other country of Africa to contribute to the success of AGOA. Mauritius has invested its own capital in the development of both the apparel sector in neighboring LDCs (including Madagascar and Mozambique) and the textile sector both in Mauritius and in LDCs (Mali). In addition, Mauritius has made its technical expertise in the textile and apparel sector available to the LDCs. But the Mauritian textile and apparel sector will not be able to continue to invest in the development of its neighbors if its export revenues from sales to the United States continue to decline.

Since AGOA was enacted, Mauritius has gone from being the largest African supplier of apparel to the United States to the number six slot, behind Lesotho, Kenya, South Africa, Swaziland, and Madagascar. This is reflected in the fact that Mauritius has had the lowest growth rate of all the countries that have exported apparel duty-free under AGOA. Indeed, Mauritius' rate of growth is lower than even Botswana. Recognizing that Botswana was not benefiting from AGOA, Congress changed Botswana from a non-LDC to an LDC in AGOA II to enable it to compete on equal terms with the LDCs.

Comparison of U.S. Apparel Imports from AGOA Countries

Country	2000 Imports (msme)	2003 Imports (msme)	% Growth 2003/2000
Swaziland	7.166	49.164	586.1
Kenya	12.556	52.228	315.9
Lesotho	34.365	103.865	202.2
Madagascar	20.495	45.639	122.7
Malawi	3.311	7.049	112.9
Namibia	0	10.543	>100
Ghana	0	6.176	>100
Cape Verde	0	1.271	>100
Ethiopia	0	1.172	>100
Uganda	0	0.841	100
Mozambique	0	0.423	>100
Tanzania	0	0.345	>100
South Africa	37.925	70.251	85.2%
Botswana	2.167	3.051	40.8%
Mauritius	**39.771**	**45.124**	**13.5**
Africa Totals	**157.756**	**397.142**	**151.7**
U.S. Imports from the World	**16,035.35**	**18,863.52**	**17.6**

Even South Africa, the only other non-LDC that exports apparel to the United States, has far outstripped Mauritius. South Africa's apparel exports to the United States have increased by 32.326 million square meter equivalents (msme) or 85%, six times the growth by Mauritius of 5.353 msme or 13.5%. The reason is that South Africa's yarn and fabric industry is many multiples larger than the Mauritian textile industry, so South Africa has been better able to supply its own yarn and fabric to its apparel manufacturers, while Mauritius alone in Africa has been left without an adequate source for yarn/fabric inputs for duty-free apparel production. In addition, the Mauritian yarn/fabric industry is limited to cotton and to a lesser extent wool production, while the South African industry produces the full range of yarns/fabrics, including man-made fibers.

While Mauritius is investing in adding new yarn/fabric capacity, this takes time, as is illustrated by the fact that the first new yarn spinning plant to be built in Mauritius since AGOA was enacted opened for business only in October 2003, a full three years after AGOA was enacted. Even with the new plant, Mauritius produces only about one-third of the yarn requirements of its apparel sector. Consequently, Mauritius ranks near the bottom of all AGOA countries in the percentage of its apparel exports to the United States that qualify for duty-free entry under AGOA.

2003 Duty-Free Apparel Imports under AGOA

Country	Total Imports (msme)	Duty-Free Imports (msme)	% Duty-Free
Mozambique	0.423	0.418	98.8
Ghana	6.205	6.108	98.4
Malawi	7.049	6.873	97.5
Lesotho	103.865	98.574	94.9
Madagascar	45.643	42.856	93.9
Kenya	52.642	48.850	92.8
Swaziland	49.166	45.288	92.1
Ethiopia	1.172	1.078	91.9
Uganda	0.841	0.739	88.9
Botswana	3.051	2.643	86.6
Mauritius	**45.146**	**19.983**	**44.3**
South Africa	85.899	28.064	32.7
Tanzania	1.289	0.326	25.2
Total	**402.391**	**301.8**	**75.0**

Because of the shortage of inputs eligible for duty-free treatment that are available to Mauritius, U.S. importers who used to source apparel in Mauritius have in the past year or two begun placing their orders in LDCs to capture the duty-free benefits of AGOA. Ironically, AGOA is now creating the prospect of the poor having to pay the price of economic development for the poorest. This is obviously not what AGOA was intended to do.

To prevent further job losses in Mauritius, we respectfully request that H.R. 4103 should be revised to include special temporary relief to allow Mauritius to use third-country fabric during whatever period the LDCs' access to third-country fabric is extended. We appreciate the Committee's consideration of our position on this critical issue, and we would be happy to respond to any requests for additional information.

New River Industries, Inc.
Radford, Virginia 24141

Chairman Philip Crane
Trade Subcommittee
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Crane:

We are writing in connection with the Ways and Means Trade Subcommittee's April 29, 2004 hearing on H.R. 4103, the AGOA Acceleration Act of 2004, to express our support for this important legislation.

New River Industries, Inc. is a major U.S. manufacturer of fabrics used as linings for jackets and coats. Encouraged by the new opportunities for trade created by the African Growth and Opportunity Act (AGOA), New River has sold significant volumes of lining fabric going to jacket/coat manufacturers in AGOA countries. U.S. Customs and Border Protection (CBP) has managed single-handedly to virtually destroy this export opportunity and, in the process is on the verge of causing the loss of thousands of jobs here in the U.S. and tens of thousands of jobs in Africa, by it's unbelievable interpretation of AGOA that prohibits commingling U.S. and African fabric in the same garment. According to CBP, a garment made of 100% African fabric is eligible under AGOA, and a garment made of 100% U.S. fabric is likewise eligible. But a garment made of both U.S. and African fabric is ineligible. This bizarre interpretation turns the intent of Congress on its head.

H.R. 4103 would make technical corrections to AGOA's apparel provisions, inter alia, to confirm that Congress intended to allow commingling of U.S. and African-origin fabric in the same garment. Equally important, the bill authorizes retroactive duty refunds for goods imported since AGOA took effect in 2000 that meet the AGOA eligibility standards as amended by the bill.

These technical corrections are absolutely essential to prevent the loss of literally thousands of jobs in both the U.S. and Africa. Moreover, it is only equitable to authorize retroactive duty refunds for products that were imported since AGOA was enacted and that would have qualified for duty-free eligibility but for CBP's past rulings that have been inconsistent with the intent of Congress.

We appreciate the opportunity to present our views to the Trade Subcommittee on these important issues. Please let us know if you require additional information or if we may otherwise be of assistance.

Sincerely,

Paul Poandl
Executive Vice President

[BY PERMISSION OF THE CHAIRMAN:]

Statement of Nien Hsing Textile Company, Ltd., Taipei, Taiwan

Nien Hsing Textile Co., Ltd. is a vertically integrated manufacturer specializing in denim fabric and jeans from cotton fiber to ready made garment. Our main customers are VF, Gap Inc, Wal-mart, Target, Jordache, Calvin Klein, and DKNY. Over 90% of our markets are in the USA. In the Nien Hsing fabric division, presently we have denim mills in Taiwan, Mexico and Lesotho, as well as a dyeing plant in Nicaragua. We are ranked fifth in the world denim fabric production. Furthermore, in the garment division, we currently have jeans factories in Mexico, Nicaragua and Lesotho with an annual production of over three million dozens of jeans. At present we are ranked first in the non-brand jeans manufacturer in the world. Due to these investments, we have created over 27 000 jobs in the lesser-developed countries over world.

When AGOA I officially came into effect on October 1st 2000, Nien Hsing began planning an investment in Lesotho of two garment factories that would employ 6700 workers, a ring spinning yarn mill and a vertical yarn and denim mill. These new facilities are now operational at a cost of over $100 million USD, creating about 10,000 jobs in Lesotho. Nien Hsing now ranks as one of the main garment producers and the largest denim fabric and yarn manufacturer within the AGOA LDCs (See Annex I for details of Nien Hsing facilities in Lesotho).

We believe that for the continuous growth, development and prosperity of the African textile and garment industry, the AGOA III must adopt the following three principles:

1. **The extension of third country fabric sourcing for LDCs must not be more than three years.**
2. **The extension of third country fabric sourcing for LDCs must not include denim fabric (U.S. HTS 5209.42)**
3. **The Rule of Origin should only apply to fabric that provides the essential character of the garment.**

The extension of third country fabric sourcing for LDCs must not be more than three years.

There must be textile industry development amongst Sub-Saharan African (SSA) AGOA beneficiary countries to form a stable vertical supply chain of fabric with existing garment factories. Through the means of high capital investment of textile industry, SSA can raise the need of local raw materials and supplies, to raise the industrial skill level, and to increase the diversity, depth and stability of local textile and garment industry.

By calculating Nien Hsing's denim mill and ring spinning yarn mill projected full production, in future, we will purchase from African countries and from the USA an estimate 61 million pounds of cotton annually, other spare parts for the machinery repairs and maintenance will also be creating more business opportunities for SSA regions.

Nien Hsing Textile was attracted to invest over $100 million USD in Lesotho to establish a vertically integrated denim mill (covering spinning, weaving and dyeing, and one ring spinning yarn mill) because the special rule allowing LDCs to utilize third-country fabric would expire September 30, 2004. Nien Hsing probably would not have made this investment if we had known that deadline might be extended. It is our understanding that other companies that had planned to invest in textile plants in SSA have either cancelled or suspended their investment plans because of AGOA III's possible extension of third-country fabric.

It takes two years to bring a textile mill from the evaluation process to full production. Therefore, the extension for third country fabric sourcing for the LDCs should not be more than three years. Anything more than three years will bring serious harm to existing textile industries and prevent potential new investments in the SSA countries.

The extension of third country fabric sourcing for LDCs must not include denim fabric (U.S. HTS 5209.42).

One of AGOA's goals is the development of a vertically integrated textile-apparel industry in SSA to anchor these jobs in the region and to make these new industries more competitive. The main justification for extending the LDCs' access to third-country fabric is the relative shortage of Africa-origin yarns and fabrics.

But no shortage exists in the denim sector. By July 2004, Nien Hsing's denim mill, with original design capacity of 40 million square meters per year, will be producing 1.7 million square meters per month (20 million square meters anually). In 2003, U.S. denim apparel imports from SSA totaled 39.5 million square meters (See Annex II).

In other words, Nien Hsing by itself has the capacity to produce—and shortly will be producing—enough denim to supply the total imports of denim garments under AGOA. This capacity can easily be increased to accommodate increasing demand. Moreover, there are already several other denim mills in SSA. Therefore, there is no shortage of denim fabric in SSA and no justification for extending the importation of third-country denim. Nien Hsing should not be penalized for having adopted the policies of AGOA by building an integrated denim plant by September 30, 2004.

Rule of Origin only applies to fabric that provides the essential character of the garment.

In contrast to denim fabric, which is not in short supply in Africa, various other components and inputs are not readily available. The problem is compounded because fashion designers insist upon an almost endless variety of constantly changing minor components and inputs. It is unrealistic, therefore, to require minor components and inputs to be sourced in Africa. Nien Hsing recommends the basic AGOA rule of origin be limited to fabric that provides the essential character of the garment and that manufacturers be allowed to source other minor components and inputs outside of the region.

Nien Hsing's investment planning for AGOA III.

If AGOA III can be passed with our suggestions, Nien Hsing will plan:

1. To increase monthly denim production from July production of 1.7 million square meters to up to 3.4 million square meters as necessary to supply the requirements for denim. At full production, our denim fabric output will be more than enough to supply AGOA consumption, and it can also be exported to the South Africa market as well as to EU market. This will represent a milestone in LDCs textile industry.
2. The ring spinning yarn production will be increased from 0.7 million KGs per month of July 2004 to 1.4 million KGs per month. Nien Hsing will also play an active role to encourage other textile industries to join us in a strategic alliance, and utilize our mills' production to establish a knitted fabric mill and dyeing plant. If our ring spinning yarn can be totally made into knitted fabric, this is enough knit fabric to produce 5 million dozen knitted garments annually.

Future development for textile and garment industry in the AGOA beneficiary countries

As demonstrated by our investment of over $100 million USD, Nien Hsing believes the future of Africa is one that has a competitive textile-garment industry with its own cotton fields, its own yarn mills, its own weaving and knitting plants, its own dyeing mills and its own garment factories.

Finally, I would like to thank the Chairman and members of the House Committee on Ways and Means for giving us this opportunity to present our suggestions. We would welcome the Chairman and all the Committee Members to come and visit our factories in Lesotho to witness the growth of least developed countries in Africa and to witness the spirit of AGOA that is working in Africa.

ANNEX I

Investment of Nien Hsing Textile Co., Ltd. in Kingdom of Lesotho

	Year of Invest-ment	Investment Amount (Million USD)	Capacity (Thousands of Unit per year)	Number of Employ-ees	Remarks
Textile Division					
O.E. Yarn & Denim Mill	2002	65	20,000 SMEs	800	Half of designed capacity
Ring Spining Yarn Mill	2002	25	10,000 KGs	400	Half of designed capacity
Garment Division					
C & Y Garment	1991	5	400 Dozs	2100	
Nien Hsing Gar-ment	2000	6	500 Dozs	3700	
Global Garment	2002	6	500 Dozs	3000	
Total		107		10,000	

ANNEX II

2003 Blue Denim Imports from Africa

(all figures in thousand square meter equivalents)

	M/B Trousers	W/G Slacks	B/G Playsuits	W/G Skirts	Totals
Botswana	134	194	0	0	328
Kenya	1,222	3,904	19	104	5,249
Lesotho	5,960	8,165	96	60	14,281
Madagascar	1,297	2,771	0	15	4,083
Malawi	283	238	0	0	521
Swaziland	1,445	656	19	15	2,135
LDC Subtotal	10,341	15,928	134	194	25,497
Mauritius	1,937	2,354	0	164	4,455
South Africa	5,200	3,412	19	268	8,899
Non-LDC Subtotal	7,137	5,766	19	432	13,324
Totals	**17,478**	**21,695**	**153**	**626**	**39,952**

(Source: U.S. Department of Commerce.)
M/B Trousers = HTS 6203.42.40.10, 6203.42.40.35
W/G Slacks = HTS 6204.62.40.10, 6204.62.40.40
B/G Playsuits = HTS 6203.42.40.30, 6204.62.40.35
W/G Skirts = HTS 6204.52.20.30, 6204.52.20.40

Nigerian-American Chamber of Commerce
Imo State, Nigeria
May 3, 2004

Congressman Philip M. Crane
Chairman Subcommittee on Trade,
Committee on Ways & Means,
(U. S. House of Representatives),
1104 Long worth House Office Building,
Washington, DC, USA.

Dear Congressman Crane and Distinguished Hon. Members, Subcommittee on Trade, Committee on Ways & Means,

I am moved by your sincere commitment and a distinct sense of appreciation towards the wonderful and noble work you all are doing in the U.S. Congress to address the trade and development needs of sub-Saharan Africa (SSA), aimed at expediting development and sustainable growth in African trade with the United States and by implication the world trade organization (WT0) in the new millennium, to send you this my Statement For Printed Record of Hearing.

Based on the experience I gained from my just concluded case-study research in the United States, published under the title: **"NIGERIA INITIATIVE FOR AGOA",** a documentation of the factors LIMITING Nigeria's performances on the AGOA to Petroleum and the STRATEGIES necessary to expand Nigeria's participation/opportunities in the AGOA to a wide range of Agricultural and Manufactured Products, I have come to the conclusion that for the "AGOA Acceleration Act of 2004" to achieve expected results, it will be necessary that congress consider the following: That;

1. Technical Assistance must be defined and structured in the "AGOA Acceleration Act 2004" to address the specific and peculiar Limitations and localized circumstances, obstructing the active participation of each designated sub Saharam African Country in the AGOA, particularly on an individual/case by case consideration, as against a general standard, because the situation in each country is different. This point is very crucial, considering that outside South Africa and Mauritius, the private sector is either weak or non-existent and in most cases participation is concentrated in TEXTILE/APAREL SECTORS, of the economies of most sub Saharan African Countries.
2. The active implementation of the AGOA may succeed better if Technical Assistance (public-private) and deliberately encouraged private-private partnerships for production under AGOA in sub Saharan African Countries (SSAs), including U.S. Export Credit and Project Finance Structuring Assistance Programs are restructured in the "AGOA Acceleration Act 2004" to offer the United States, the opportunity to actualize billions of dollars (currently lost due to poor performance) in export of equipment, materials, parts/supplies and expertise, which local producers seriously need to produce and export under AGOA from SSA, while SSAs will in return, gain from 'Accelerated Manufacturing and Agricultural Production Capacity Development, globally competitive International Trade Capacity and Export Production Experience', necessary to remain competitive under AGOA and in the WTO, after AGOA. This way, SSAs will have the opportunity to build high-growth and high-wage paying economies, minimize unemployment, effectively reduce poverty through PRODUCTIVITY and create prosperity for their citizens, necessary to sustain Presidential Democracy and Good Governance.
3. Majority of AGOA-Designated sub Saharam African Countries lack the basic infrastructure, national conducive environment for investment/business development and experienced labor for competitive export production and international trade management, though they have the great potential capable of building a competitive export-oriented economy and the creation of large and varied export market for U.S. exports under the AGOA.

Thus, the need for strategies that include, "Build Operate & Transfer (BOT)", "Build Operate & Own-Contracts (BOO)" and other types of "Infrastructure Finance Structuring Concepts", including the development of Export Manufacturing Incubator System, in form of "Export Free Zone Manufacturing Villages" and "Agricultural Export Production Villages", with exclusive conducive environment amongst others, designed and managed by Independent Foreign/Local Managers to guarantee successful repayment of Foreign Financing involved. The encouragement of the foregoing by the "AGOA Acceleration Act 2004", may be necessary to achieve the long term mutual trade and economic interests of the U.S. and SSAs in the AGOA.

Finally, I am pleased to recommend that since most private sector leaders with local knowledge of STRATEGIES and SOLUTIONS on the foregoing are based in Africa and may not easily attend and present oral testimonies in future, the Congress may encourage the U.S. Department of State and the Department of Commerce to assist some of us to visit and contribute, as well as present some case studies that will assist Congress better understand and appreciate the peculiar obstacles and limitations to be considered in the new AGOA legislation. In addition, the "AGOA Acceleration Act 2004" may consider providing for:

- National Initiative/Strategies Arrangement, by each AGOA-Country, for accelerated and successful implementation of the AGOA, as a condition to benefit from U.S. Technical Assistance, from 2005, onwards. This will serve as an implementation plan, which each country will follow, accordingly.
- USAID AGOA-Countries' National Initiative/Strategies Articulation, Development and Assessment Committee, for the Articulation/Review of National Initiative/Strategies, to ensure accelerated and successful implementation of the AGOA. African private sector leaders, whose current studies and publications on the AGOA are assessed relevant and strategic to the successful implementation of the AGOA, may be appointed into the USAID AGOA-Countries' National Initiative/strategies Assessment Committee.
- Encourage more capacity building training programs for the private sector, as against public sector/civil servants, particularly as AGOA can only be actualized if the private sector is able to produce and export competitively by advancing the program from "Talking-To-Doing".

Warm regards,

Mazi Felix Fon Oji
President

[BY PERMISSION OF THE CHAIRMAN:]

Office of the Special Advisor to the President on AGOA
Abuja, Nigeria
April 30, 2004

Congressman Thomas, Chairman,
Committee on Ways & Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515.

On behalf of the Nigerian government and other Sub-Saharan African countries, I congratulate you and members of the Committee for a successful hearing on the above bill yesterday 29th April 2004.

In view of the call from some quarters that the 3rd Country Fabric Provision of the AGOA is extended beyond three years, I reiterate the stand of the Nigerian Textile Manufacturers and Government that an extension of this provision for a definite period of three years is enough as a longer extension WILL harm our textile sector greatly.

The Nigerian textile industry is the largest in Sub Saharan Africa, in terms of production capacity. Its installed capacity stands at over 1.2 billion square metre equivalent.

Out of the existing 50 major mills, 50% are fully integrated, from fibre to fabric while some more are currently investing in integrated production facilities to take advantage of AGOA. The production capacity utilisation stands at 35–40% and at that, Nigeria is the largest exporter of cotton yarn to the European Union and a major supplier to the West African countries.

The textile sector is the largest employer of labour after the Government. It currently employs about 50,000 workers directly in textile factories and about 750,000 in the cotton farming sector.

Since the enactment of AGOA, there has been increased investment in the textile and apparel sector in Nigeria like other Sub-Saharan countries. For instance, a textile mill in Lagos recently invested in a new plant for the production of denim and similar fabrics.

The product range currently exported from Nigeria which we intend to supply to other Sub-Saharan African countries once Nigeria's Textile Visa is granted include the following:

a. Cotton Yarn for weaving and knitting
   i. Ring spun—combed and carded (NE 16–30)
   ii. Open End (NE 6–24)
b. Polyester Filament Yarn
   i. 75/150/300Denier
   ii. Grey, Bleached White and Dyed
   iii. Texturized
c. Woven Grey Cloth
   i. 63–102 inches
   ii. Plain and twill weaves
d. Knitted Fabric (circular)
   i. Grey
   ii. Bleached white and Dyed
e. Dyed Fabrics for Suiting and Shirting
   i. Fibre dyed
   ii. Yarn dyed
   iii. Piece dyed
   iv. Spun/Filament Polyester
   v. Blended (PV/PC)
   vi. Cotton—drill, (shirting, denim, bottom weights—from new mill in mid 2004)
f. Printed Fabrics
   i. Real wax prints
   ii. African Prints (Fancy)

- Up to 8 colour designs
- Special effects available—embossing, dew drops

We believe that an extension of the 3rd Country Fabric Provision would further impair our concerted efforts to rejuvenate this extremely important sector to our economy which has suffered over 57% loss in employment (in seven years) and a 69% reduction in number of factories. A prolonged or permanent extension would put at risk the new investment of over $100 million in the past three to four years AGOA has been in existence and the livelihood of cotton growers in the West African region who supply the Nigerian Textile Industry. This threat to livelihood of cotton growers can perpetuate rural poverty.

NIGERIA WILL BE IN A POSITION TO SUPPLY YARN AND FABRIC AS PRODUCTION INPUTS TO APPAREL PRODUCERS OF ELIGIBLE SUB-SAHARAN AFRICAN COUNTRIES THAT HAVE BEEN GRANTED TEXTILE VISA.

Congressman Thomas, may I use this medium to earnestly plead that the Committee on Ways & Means members to:

i. extend for a definite and final duration of three years, the 3rd Country Fabric Provision;
ii. assist to ensue that the Act is passed quickly in both the House and the Senate to prevent further underutilisation of installed production capacity and flight of investment capital from Sub-Saharan Africa due to uncertainty and
iii. request the Office of the United States Trade Representative to approve Nigeria's Visa application which they have informed us has satisfied every technical and eligibility condition.

I thank you and your colleagues for your diligence and concerted efforts to assist the Sub-Saharan African countries develop and better their economies through a companied programme of trade partnership and technical assistance.

Please accept my personal warm regards,

G.M. Sasore
Presidential Adviser

Statement of Retail Industry Leaders Association, Arlington, Virginia

This statement is submitted on behalf of the Retail Industry Leaders Association (RILA) in strong support of H.R. 4103, the Africa Growth and Opportunity Act (AGOA) Acceleration Act of 2004.

RILA is an alliance of the world's most successful and innovative retailer and supplier companies—the leaders of the retail industry. RILA members represent more than $1 trillion in sales annually and operate more than 100,000 stores, manufacturing facilities and distribution centers nationwide. Its member retailers and suppliers have facilities in all 50 states, as well as internationally, and employ millions of workers domestically and worldwide.

RILA actively supported the original African Growth and Opportunity Act (AGOA), which received overwhelming bipartisan support when Congress passed the legislation in 2000. RILA continues to believe that the AGOA program is critical to helping the nations of sub-Saharan Africa (SSA) compete in the worldeconomy.

RILA strongly supports the "AGOA Acceleration Act of 2004" (H.R. 4103, and urges Congress to pass the legislation as quickly as possible. Specifically, RILA supports the three-year extension of the third country fabric provision, a clarification of what products and processes qualify for duty-free benefits under AGOA and increased efforts to support infrastructure and trade capacity.

Textile and Apparel Benefits

Third Country Fabric Provision

Extending the third country fabric provision before it is set to expire this fall is key to maintaining AGOA as a viable sourcing option for textiles and apparel. Exports from sub-Saharan African nations have increased dramatically since the enactment of the original AGOA legislation, particularly in the textile and apparel sector. According to Department of Commerce statistics, AGOA textile and apparel imports increased by almost 50 percent to $1.2 billion in 2003. As pointed out in the bill's findings, this increase has led to substantial increases in foreign investment and the creation of tens of thousands of jobs. African women have benefited the most from these new jobs. It is also important to note that the increase in exports from AGOA nations has not resulted in a large net-increase in textile and apparel imports. Rather, companies have redirected and diversified their sourcing to include AGOA countries.

In the few short years that AGOA has been in existence, it has led to some real benefits for some of the poorest countries in Africa. We can look to Uganda as an example. As a landlocked nation faced with continuous border problems and internal strife, Uganda faces constant challenges. However, the Ugandan government has recognized the potential of AGOA to bring benefits to the country. In 1999, there were no apparel exports from Uganda, only coffee and some natural resources. However, in the first two months of 2004, Uganda shipped about 240,000 articles of clothing to the U.S. This increase is a direct result of Uganda being able to produce apparel using the third-country yarn and fabric provision.

However, now Uganda and the rest of the eligible lesser-developed countries (LDCs) face a dual challenge. Not only is the third-country fabric provision set to expire at the end of September, but global quotas on textiles and apparel will be removed at the end of the year. If AGOA nations are to remain a viable sourcing option, the third-country fabric provision needs to be extended until the necessary infrastructure can be develop in the region to allow for full vertical integration.

Retailers are already placing orders for the busy Back-to-School and Christmas shopping seasons as well as looking at sourcing options for the first quarter of 2005 and beyond. Without the extension of the third-country fabric provision, AGOA will immediately become a less attractive sourcing option and it is unlikely that nations will be able to sustain, let alone build upon the early successes of AGOA. Extending the third-party fabric provisions, even after the removal of quotas, will maintain AGOA nations advantage over other nations such as China because of the duty-free benefits that AGOA qualifying products receive. We strongly support the extension of the AGOA textile and apparel provisions beyond 2004 and believe it is key to maintaining Sub Saharan Africa's viability as a post-quota sourcing option.

Clarification of Eligible Products and Procedures

When Congress passed AGOA in 1999, the vision and intent was to help a region of the world that had very little trade with the United States. Those who were looking to invest and source products from the region welcomed the ambitious and liberal textile and apparel rule of origin. While trade has significantly increased, retailers and apparel manufacturers have continuously struggled as U.S. Customs and Border Protection (CBP) and the Committee for the Implementation of Textile Agreements (CITA) have taken a very narrow interpretation of the law, denying duty-free access to garments that Congress intended to cover.

Too many times, CBP and CITA have made decisions that have forced retailers to cancel orders and place them elsewhere because the garment would not receive benefits. We applaud the sponsors of the bill for including a sense of the Congress statement calling for broad interpretation of AGOA by CBP and CITA.

Infrastructure and Trade Capacity

While granting duty-free benefits for eligible products has established AGOA nations as a viable sourcing option, the nations of SSA continue to face numerous challenges. The lack of a modern infrastructure is a continuing problem. If you have a factory that can manufacture the product, but there is no infrastructure in place to facilitate the movement of the merchandise from the factory to the port for export, the order most likely won't be placed. We fully support the language in the bill calling for the development of infrastructure projects to help trade capacity and transboundary cooperation to help facilitate trade. This is critical to the region continuing to expand.

SSA nations need help with infrastructure relating to roads, but also dealing with the rail system, the ports and information systems. RILA encourages Congress to support efforts to bring technical assistance to the nations of SSA. Not only will this help with the facilitation of trade, but improving the infrastructure, especially the ports, will also help in the war on terrorism. RILA believes that technical assistance should not be limited to facilitating the movement of goods, but also ensuring the security of those goods through the ports.

Conclusion

RILA believes that the African Growth and Opportunity Act has had a positive impact on the nations of sub-Saharan Africa. It would be a shame for Congress to allow benefits under AGOA lapse as the nations of SSA face a critical juncture with global quotas set to expire at year's end. For this reason, and for the continued viability of the region, we strongly urge Congress to pass the AGOA Acceleration Act of 2004 as soon as possible. This will send a strong signal of commitment by the U.S. to SSA and will encourage those currently doing business in the region to maintain their relationships and investment in the region.

Statement of ShopKo Stores, Inc., Green Bay, Wisconsin

ShopKo Stores, Inc. ("ShopKo") urges the prompt passage of H.R. 4103, the AGOA Acceleration Act of 2004 (hereinafter "H.R. 4103").

ShopKo is a customer-driven retailer of quality goods, including apparel, and services in two very distinct market environments; mid-sized to larger cities like Omaha, Neb., and Salt Lake City, Utah and smaller rural communities like Clintonville, Wis. Our retail operations included 359 stores in 23 states as of January 31, 2004. One hundred forty-one locations are operated as ShopKo stores and 218 as Pamida stores in cities and towns throughout the Midwest, WesternMountain and Pacific Northwest regions. ShopKo apparel is manufactured in a variety of countries including sub-Saharan Africa.

ShopKo appreciates the efforts of the Subcommittee on Trade to address the difficulties faced by the poorest countries in Africa. The development of the economies of sub-Saharan Africa is crucial to the advancement of democracy in the region. While these economies have made significant strides in the textile and apparel sector since the enactment of the African Growth and Opportunity Act in 2000 ("AGOA"), the unfortunate reality is that these advances are in jeopardy unless the third-country fabric provisions are extended for at least three years.

ShopKo began to source apparel in sub-Saharan Africa before the enactment of AGOA. AGOA resulted in increased purchases. However, if we are to continue sourcing in sub-Saharan Africa it is imperative that the third-country fabric provisions be extended for at least three years. Even with the duty advantage, producers in sub-Saharan Africa will find it difficult to compete against producers in the countries where quota restrictions will disappear on January 1, 2005. Without the duty advantage and the ability to use third-country inputs, they will have no chance at all.

ShopKo requests that the Subcommittee consider two minor changes in the language of H.R. 4103.

Section 7(c) would amend AGOA Section 112(d) 19 U.S.C. 3721(d), to make it clear that the use of imported collars or cuffs would not disqualify a garment otherwise eligible for the third-country fabric preference. This is a very welcome clarification.

This clarification would not have been necessary had the agency responsible for implementing AGOA, United States Customs and Border Protection ("CBP"), interpreted AGOA in keeping with the clear purpose of the legislation. However, CBP adopted an unnecessarily narrow interpretation of AGOA with the result that a variety of the types of garments an emerging apparel industry can be expected to produce have been denied the AGOA preference. The merchandise most directly affected by the narrow interpretation is polo shirts. CBP ruled that because the collar and cuff components were not *fabric*, polo shirts cut and sewn in AGOA with third-country fabric were not eligible for the preference. The collars and cuffs typically were imported in rolls, but separated by various types of dividing lines. CBP ruled that these rolls were not considered fabric. This decision eliminated the ability of the lesser-developed AGOA countries to manufacture polo shirts because the collar and cuff must be produced from the same yarn dye lot and at the same time as the body fabric to ensure accurate color matches.

This decision caused many importers to pull out of sub-Saharan Africa. This was a very unfortunate development and has retarded the development of the apparel industry in sub-Saharan Africa. Apparel industries do not begin by making complicated tailored garments. They begin with basic garments like polo shirts and move to more complicated, higher value added production. H.R. 4103 will eliminate this impediment to growth and development.

The proposed change would eliminate future problems with respect to collars and cuffs. However, the manner in which the change is effected could have an adverse impact on the argument that polo shirts made with imported collars and cuffs qualify under subsection 112(b)(3)(B) as originally enacted. We strongly believe that the interpretation of the provision by CBP was overly narrow and inconsistent with the desire of Congress to encourage trade with the lesser-developed sub-Saharan African countries. ShopKo and others should not be denied the opportunity to make that argument. Accordingly, we ask that section 7(c) be revised to read as follows:

(3) COLLARS AND CUFFS. An article otherwise eligible for preferential treatment under this section will not be ineligible for such treatment because the article incorporates collars and cuffs (cut or knit-to-shape) that were not produced in an eligible beneficiary sub-Saharan African country.

This minor change will accomplish the same clarification as the current version of H.R. 4103.

Section 8 makes certain provisions retroactive to the 2000 enactment of AGOA. This treatment is extended to apparel articles that meet the requirements of "Section 112(b) of the African Growth and Opportunity Act (as amended by section 3108 of the Trade Act of 2002 and this Act)."

Polo shirts made with imported collars and cuffs will meet the requirements of Section 112(b). However, the change that makes this possible is not an amendment to section 112(b). It is an amendment to section 112(d) which applies only to section 112(b).

The cuff and collar provision should be placed on the same footing as other clarifications of section 112(b) eligibility requirements. In order to ensure that the effective date provision is implemented correctly, we ask that section 8(d) be revised by adding at the end the following:

and apparel articles that meet the requirements of section 112(b) after applying section 112(d)(3) as added by this Act.

We believe that this revision will redress the disadvantage to which ShopKo and others were placed because of the erroneously narrow interpretation of the third-country fabric provision of AGOA by CBP.

ShopKo appreciates the opportunity to express its views on H.R. 4103 and urges prompt passage of this legislation.

[BY PERMISSION OF THE CHAIRMAN:]

South African Textile Federation
Bruma, South Africa
April 27, 2004

The Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
WASHINGTON, D.C. 20515

Dear Ms Giles,

In response to the Committee's Advisory of April 20, 2004, the South African Textile Federation would like to make the following written submission on various amendments to the AGOA as contained in H.R. 4103, the "African Growth and Opportunity Acceleration Act of 2004. We cover the following aspects i.e.

- The overall extension of AGOA until 2015;
- Fixing interpretation issues encountered with the U.S. Dept. of Commerce;
- The three year extension of 3rd country inputs for LDC's; and
- The extension of AGOA preferences to Sub Saharan African fabrics and made up textiles.

If you require any clarification please do not hesitate reverting to us.

Kind regards,
Yours sincerely

B. Brink
Executive Director

SUBMISSION ON PROPOSED AMENDMENTS TO THE AGOA

AS CONTAINED IN THE "AGOA ACCELERATION ACT OF 2004"

1. AGOA Beyond 2008

The continuation of AGOA beyond 2008 and specifically to 2015 is fully supported as this will create more certainty and a more secure investment climate in sub Saharan Africa.

2. Interpretation Issues on the Rules of Origin

It is our contention that any moves to amend the existing rules of origin on qualifying apparel will be seriously detrimental to the textile sector both in the U.S. and in sub Saharan Africa. To amend the rule so that it is made applicable only to the essential component of a garment will largely benefit the big exporting countries in the Far East.

An amendment that should be made to the rules of origin is that permitting a mixture of USA and SSA yarn and fabric origin in qualifying apparel. This should not however be extended to third country inputs.

3. Three Year Extension of 3rd Country Inputs for LDC's

We had previously proposed in our submission of January 30, 2004 that if it was found necessary to conditionally extend the termination date of the special rule, that this should be on a phased down basis over a period of two years, with two thirds of LDC exporter's fabric usage to be permitted in year one, one third to be permitted in year two and with no allowance thereafter.

However in a spirit of compromise, we have revised our position and now lend our support to the proposal that the special rule for LDC countries be extended for a last and final three years with only one half of 3rd country inputs being allowed in year three.

This will enable apparel exporters and yarn and fabric suppliers to establish and strike input supply alliances.

Any extension to this period of validity would hold serious consequences for the development of the textile industry in sub Saharan Africa (SSA). The reason for the initial four year exemption window on the general rules of origin was to convey a very strong message to all concerned that it is the aim of the Trade & Development Act (TDA) for a textile industry embracing fibre manufacture, yarn spinning and fabric weaving and knitting and finishing to be invested in, developed and expanded within SSA. Clearly these investments have been slow to develop given the uncertainty of whether the special rule would be extended or not. It must be made crystal clear this time that the proposed extension of three years is the final extension.

Unless there is considerable investment in the textile industry within SSA, AGOA will have missed its most important long-term goal, the industrial development of Africa.

As a further suggestion, more reliance should be placed on short supply provisions for yarn and fabric not produced in the USA or sub Saharan Africa. We believe that under the Act, the President is authorized to proclaim duty-free and quota-free benefits for apparel that is both cut (or knit-to-shape) and sewn or otherwise assembled in beneficiary countries from fabric or yarn not formed in the United States or a beneficiary country, if the President has determined that such yarns or fabrics cannot be supplied by the domestic industry in commercial quantities in a timely manner.

An alternative or additional solution would be a system of selected availability whereby fabric sourcing flexibility would be introduced. This would encourage the use of U.S. and regional products by facilitating timely amendments to the list of items that are not available in those markets which would be eligible as qualifying inputs

4. Extension of Preferential Entry under AGOA to Yarn, Fabrics and Made Up Textiles

In order to maximize the benefit to sub Saharan Africa's (SSA) fledgling textile and apparel industries it is strongly suggested that preferential duty free entry be extended to yarn fabrics and to made up textiles (chapter 63 of the Harmonised tariff).

It is crucial to provide as much assistance as possible to the yarn, fabric and made up textile sector of SSA ahead of the termination of the Agreement on Textiles and Clothing at the end of 2004. For without this small advantage given to SSA, China will effectively put paid to any industrial growth and development in SSA.

We have sounded out the American Textile Manufacturers' Institute on this extension of preferential entry to yarn, fabrics and made up textiles and they "would not have too much of a problem". Additionally we would point out that South Africa as the major yarn and fabric producer in SSA would scarcely be able to export $50 million of yarn or fabric, or about 0,1% of U.S. textile mill shipments.

Statement of Jeff Posner, USI Sportswear, New York, New York

Good afternoon. My name is Jeff Posner and I am the President of USI Sportswear, a New York based company that supplies sweaters to such companies as Pendleton Woolen Mills, Woolrich, Incorporated, Eddie Bauer, J.C. Penny, Syms and others. I am accompanied by Arthur Bodek of Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt, Customs Counsel to USI Sportswear. I am here today to raise my voice in support of the passage of HR 4103, particularly Section 8 which would make retroactive certain enhancements in the AGOA program.

USI Sportswear has always been a very strong proponent of the AGOA program. In fact, for approximately 17 years, my company has been manufacturing sweaters in Africa, specifically, in Mauritius, Madagascar and South Africa, for the American market. Typically, the manufacture of our sweaters utilizes African yarn, African knitting and African assembly. If there ever was a type of company that the AGOA legislation was intended to encourage, it is USI Sportswear.

Notwithstanding the above, a misinterpretation of the AGOA legislation by the U.S. Customs Service has served to deny AGOA benefits for our merchandise. This misinterpretation has frustrated the intent of the Congress in passing the AGOA and has resulted in enormous economic harm to our company.

I specifically refer to AGOA Preference Group D, codified at subheading 9819.11.09 of the tariff schedule. As initially drafted, the provision extended AGOA treatment to garments "wholly assembled in one or more [AGOA] countries from fabric wholly formed in one or more [AGOA] countries from yarn originating in either the United States or one or more [AGOA] countries. . . ." As our sweaters were typically wholly manufactured in Mauritius all the way back to the spinning of the yarn, the products were certified by the Mauritius government, and entered under the AGOA program, consistent with the requirements of the program.

Much to our surprise, U.S. Customs denied AGOA treatment for these sweaters claiming that they were knit to shape and therefore not made from "fabric". As interpreted by Customs, if two otherwise identical sweaters were wholly manufactured in Africa from African yarn, AGOA eligibility would be denied to garments that were knit to shape (on the theory that there was no fabric) and granted to sweaters that were not knit to shape. The determination of whether a sweater is knit to shape largely turns on extremely esoteric factors such as the degree to which one can discern the shape of a component based on lines formed during the knitting.

In addition to being inconsistent with prior precedent, this Customs interpretation is completely at odds with the intent of Congress in passing the AGOA.

Indeed, on March 6, 2001, a letter on this point was sent to the Secretary of the Treasury by Representatives Bill Thomas, Philip Crane, Charles Rangel, Robert Matsui, Jim McDermott, Dave Camp, Jim Ramstad, Philip English and Jennifer Dunn. In this letter, the aforementioned representatives pointed out that:

- The Customs interpretation is wrong;

- It violates legislative intent; and
- "threatens to seriously undermine the viability of AGOA."

The Congressional views expressed in the March 6th letter were ignored.

In part for this reason, Congress passed the AGOA II legislation specifically referring to knit to shape sweaters. In its report, the House Ways and Means Committee observed that it was forced to take its action because of the Customs misinterpretation, even though, as reflected in the report, "the Committee believes that the AGOA . . . language stated clearly that knit to shape apparel articles are to receive benefits. . . .".

While the AGOA II legislation should have been the last chapter that had to be written on this subject, unfortunately it was not as Customs would only apply AGOA benefits to knit to shape sweaters on a prospective basis. This, despite the fact that the legislative history indicated that the so-called AGOA II legislative fix was merely a clarification of what the law had already provided.

Thus, the passage of HR 4103, particularly Section 8 that would make the AGOA II knit to shape benefits retroactive to the beginning of the AGOA program, would finally give full effect to the Congressional intent on this point.

Accordingly, USI Sportswear wholeheartedly supports the passage of HR 4103.

Thank you for your time.

YKK Southern Africa, Ltd.
Bryanston, Johannesburg
April 30, 2004

Chairman Philip Crane
Trade Subcommittee
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

H.R. 4130

PLEASE ANNOUNCE AGOA III ENACTMENT (Every Day Counts!)

The performance of AGOA indicates that the Bill has had an excellent influence on the economies of participating countries. AGOA created a platform for our people to up skill themselves and earn a living on a continent that is rife with unemployment. Thank you USA!

However, the reticence of AGOA LDC extension has already resulted in order cancellations.

As a result of this, and exacerbated by the unfair strength of the East, we have seen many well established clothing manufacturers close their doors.

We are therefore very grateful for the introduction of the AGOA Acceleration Committee to expedite the ***earliest official*** statement that AGOA III will be enacted. What a difference even a day would make!

Many thanks and kind regards,

Ian Rheeder
Marketing Manager